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# China Report

ECONOMIC AFFAIRS

No. 275

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25 October 1982

# CHINA REPORT

## ECONOMIC AFFAIRS

No. 275

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## ECONOMIC MANAGEMENT

### PROBLEMS ENCOUNTERED IN COMMERCIAL ENTERPRISE REORGANIZATION

Beijing CAIMAO JINGJI [FINANCE, TRADE AND ECONOMICS] in Chinese No 8, 10  
Aug 82 pp 1-3

[Article by Xi Jie [1153 2638]: "Reorganize Commercial Enterprises, Raise the Level of Business Management"]

[Excerpt] Since the Third Plenary Session of the 11th Party Central Committee, the commercial departments have done a great deal of work and achieved certain success in implementing the party's policy of national economic readjustment, restructuring, reorganization and improvement; in reshuffling the leading bodies of enterprises; in practising democratic management by the workers and staff members; in experimenting on the system of responsibility for management; in improving business management; and in raising the standard of service. However, many enterprises still have problems in varying degrees as shown in the following:

1. First, excessiveness, as shown by the excessive administrative personnel, the excessive levels of management, and the excessive concentration of power. The proportion of our administrative personnel is 15.8 percent, being higher than the national proportion of 15.1 percent, and that of Eastern China of 14.46 percent. The number of administrative personnel in a county company generally accounts for about 10 percent, and in some cases more than 20 percent, of the total number of workers and staff members. In one enterprise, there are more than 10 managers and secretaries. There are also numerous internal departments and sectors, and some enterprise has more than 20 of them. The excessive personnel and laxity in labor discipline has resulted in endless wranglings and low efficiency. Some stores, though small, have a lot of people. "When they sit down, it is like the scene of a meeting; when they stand up, they form a long queue." They can find nowhere to direct their efforts, and the quality of their service is poor.

Second, roughness, as shown by the crude way in the division of work and the handling of internal accounting. The third-level county wholesale enterprises handle the comprehensive wholesales of groceries, cultural supplies, knitwears, and textile goods. Because of their unified accounting in both wholesale and retail sales, their unified handling of all receipts and payments, and their common responsibility for profit and loss, it would be hard to see their individual business results. According to statistics

compiled at the end of 1981, there were 3,340 accounting units for 8,128 retail outlets under the state-run enterprises. Thus there is one accounting unit for an average of every 2.43 outlets with 47 persons. For the retail stores, there is an accounting unit for every 3.33 retail outlets with 63.4 persons. In the food and drink service trade, each accounting unit serves 2.63 retail outlets with 59 persons. There are in the province large barber shops with more than 100 persons, large restaurants with more than 300 persons, large vegetable stores with 150 persons, and large markets with more than 1,000 persons each. This type of mass accounting and "eating from the same pot" must be changed.

Third, confusion, or confusion in management. For example, the business section of the county companies do not control sales, the wholesale departments control only incoming, but not outgoing, goods, and the store-keeping section is only responsible for receiving, issuing and the custody of goods, but not for overstocking or running out of stock, thus resulting in dislocations between receiving, selling and storing of goods, between business and financial affairs, and between responsibility, rights and interests. Some of these problems have remained unsolved for a long time.

Fourth, inferiority, or the inferiority of economic results. According to data compiled for 1981, among the 66 third-level wholesale enterprises under the grocery departments in the province, the average number of turnovers of funds was 4.55 each year. This was not only lower than the best level ever attained, but also less than 5.21 in 1980. In 1981, the amount of expenditures for the year was increased by 0.18 percent over that of 1979 and was more than that of 1980 by 0.22 percent. In 1981, damage to property was more than 1.13 million yuan.

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## ECONOMIC MANAGEMENT

### PROBLEMS OF ECONOMIC RESULTS IN CIRCULATION STUDIED

Beijing CAIMAO JINGJI [FINANCE, TRADE AND ECONOMICS] in Chinese No 8, 10  
Aug 82 pp 1-3

[Article by Xue Muqiao [5641 2550 2890]: "Proceed from Realities, Intensify Our Study in the Problems of Improving Economic Results in the Sphere of Circulation"]

[Text] This meeting [which was held to celebrate the founding of the China Commercial Economics Society, and to which this is addressed in the form of a letter of greeting] will discuss the problem of improving economic results in the sphere of circulation. This is really a very important problem in our economic work at present. At the end of last year, Comrade Ziyang mentioned in his report on the work of the government at the Fourth Session of the Fifth National People's Congress that it is necessary to blaze a new trail in our economic construction for the attainment of better economic results. He stressed that in studying all economic problems, we must begin with the improvement of economic results and do all we can to get better economic results in areas of production, construction and circulation. The principles of economic construction laid down in Comrade Ziyang's report are extremely important. They must be carried out to the letter before our socialist economic construction can embark on the road of smooth development.

We have attached fairly great importance to the improvement of investment returns in capital construction in the past 3 years. Last year, we resolutely reduced the scale of capital construction and achieved some success. The investment in capital construction was reduced by more than 10 billion yuan. Of course, there are still many problems left and continued efforts are necessary. We have also adopted many measures and done a great deal of work in improving economic results in industrial and agricultural production. For example, we have adopted the system of economic responsibility. In comparison, I am of the opinion that we have studied less, and paid less attention to, the problem of improving economic results in the sphere of circulation. My opinion is supported by the increase in the use of circulating funds and in the overstocking of materials, and the difficulty in bringing industrial goods to the countryside. Circulation is the bridge between production and consumption. While affirming the decisive role of production on circulation, we must not think that in the course of social

reproduction, circulation only plays a passive and unimportant role. As a medium between production and consumption, on the contrary, circulation has a tremendous countereffect on them. If the channels of circulation are not wide open, production cannot be developed regularly and the needs of consumption cannot be met. There must be good circulation before production can be promoted and the needs of consumption can be met. Therefore, if we want to improve the economic results of the entire national economy, we must at the same time strive for the improvement of economic results in the sphere of circulation. If we have not studied this problem enough in the past, then we must now attach due importance to it and intensify our study in this direction.

In studying the problem of improving economic results in the sphere of circulation, we must proceed from the realities in this sphere. Only thus can we submit practical and useful views and proposals. Therefore, I would like to discuss certain urgent and outstanding problems in circulation and to exchange views with the comrades.

One of the sharp problems in our economic life at present is the huge overstocking of goods and the excessive use of circulating funds. According to our calculations, by the end of last year, the amount of circulating funds being used by state-owned enterprises amounted to 354.5 billion (including 214.4 billion yuan, or 60 percent being used by commercial, material, and supply marketing enterprises), being an increase of 32.3 billion yuan over that of 1980. With the addition of another 21.7 billion yuan being used by the collective industrial and commercial enterprises, the total amount of circulating funds would reach 376.2 yuan (an increase of 35 billion yuan over that of 1980). This figure is almost the same as the total amount of national income in the same year. As we understand, the value of goods in stock in some western countries, such as West Germany, was only one-third of the national income. In Japan, the proportion was even lower. The huge amounts of overstocked goods and circulating funds being used is a sign of irrational economic development in our country.

How much of the 376.2 billion yuan of circulating funds has been unreasonably used? The People's Bank has an estimate. This bank compared the main goods in stock with the volume of normal stock, and held that out of the circulating funds used in 1981, approximately 42.5 billion yuan was unreasonably used. However, the so-called volume of normal stock was determined according to the old Chinese tradition. Compared with those of the advanced countries, the criterion used by us in assessing the regular stock of goods is far from realistic. For example, according to our past practice, a 7-9 month turnover period for our steel products was considered normal, although it is 3 or 4 times those of West Germany, Japan and other countries. Therefore, the portion of goods in stock which has tied up the circulating funds as mentioned is actually and evidently the portion of overstocking this portion involved an appalling amount of money. According to estimates by the relevant departments, the cost of overstocked means of production amounted to approximately 17 billion yuan, and that of overstocked consumer goods amounted to 13 billion yuan in 1981.



The combined costs were more than 30 billion yuan. Serious overstocking and excessive use of circulating funds are one of the important manifestations of poor economic results in our country, and the drastic reduction of goods in stock and economizing the use of circulating funds form an important link in their improvement. The solution of this problem will be beneficial to production as well as helpful in meeting the needs of consumption. Furthermore, it will help to bring about a rational ratio between accumulation and consumption. Since the Third Plenary Session of the 11th Party Central Committee, we have tried hard to overcome the error of having an excessively high accumulation rate. We have in the past 3 years time and again reduced our investment in capital construction and at the same time raised the rate of consumption for the people. Now the investment in capital construction can no longer be reduced, but the accumulation rate still remained as high as 28 percent. The crux of the problem here is that instead of being reduced, the circulating funds continued to accumulate year after year, so that in 1981, it was increased to 35 billion yuan. If we can reduce these funds by some 3 billion yuan each year, the accumulation will be reduced by 1 percent; and if we can save 10 billion yuan, it will be reduced by 3 percent. Can we save 10 billion yuan? I believe that it is possible, as long as we do our work well, including the work of economic restructuring. If we can accomplish this job, we will be able to greatly improve the entire financial and economic situation and reduced the bank loans and the issuance of paper money, so that the market prices will become more stable. To reduce our goods in stock and the use of circulating funds, we must first start with the work of production. We must strengthen the role of planned guidance, stop the practice of producing blindly, and overcome the irrationality in the industrial structure and the product mix, so that production and demand will be closely coordinated. However, work in production alone cannot solve the problem completely, as we must at the same time solve the problems in the sphere of circulation. There has been improvement in management in the sphere of circulation, but there are still many problems. For example, there are too many intermediate links in circulation; goods cannot go freely to the countryside; the prices are irrational, and so forth. Unless the problems of intermediate links and channels of circulation are solved, it will be impossible for us to reduce our goods in stock and the use of circulation funds and to attain the goal of better economic results. In the past, our commercial network outlets for our materials were mainly established according to administrative affiliations. Warehouses were set up for different trades at every level in different regions and departments; there were excessive intermediate links in the flow of commodities; the turnover was too slow; and funds were tied up. In the commercial system, 88 percent of the circulating funds used by state-owned commerce was concentrated in the wholesale enterprises, and nearly half of this amount was taken up by the second-level centers. Before 1965, there were 613 second-level centers in the country, and they were basically established according to economic regions. After the 10 years of domestic turmoil, most of the second-level centers were set up according to administrative regions, and their number was also greatly increased. In 1980, their number grew up to 1,058. Many of these newly added second-level centers were set up by the localities purely for the purpose of competing for the supply of goods and money, and they produced very poor

results. Many comrades favored the abolition of part of those second-level centers that did not organize their circulation according to economic zones so as to reduce the intermediate links. But this idea cannot be carried out after all, because it will affect the revenues and the distribution of supplies for the localities. Recently, some comrade proposed a complete change in the organizational structure of commercial wholesales by abolishing the system of the level-by-level transfer among the first-level, second-level and third-level wholesale centers, so that, except for the products to be distributed according to plans, the signing of contracts between the production and marketing parties for the direct supply of goods should be permitted. Then, under planned control, unified wholesale markets will be formed according to economic zones. This idea again met the opposition of many comrades. This is a problem of restructuring the entire commercial circulation system. Is a major restructuring necessary for the system of circulation? How should the restructuring be carried out before the economic results can be improved? These questions should be carefully studied by everyone. At present, the important job is to keep the channels of circulation open and to organize for industrial goods to be brought to the countryside in order that overstocking can be reduced. Last year, some relevant department estimated an increase of 5 billion yuan in the value of stockpiled goods, and in the first quarter of this year, the increase in the volume of the sales of consumer goods was still less than the increase in light industrial production. Although sales in the cities could not be increased, supply in the countryside was very far short of the demand. Many commodities were stockpiled in the cities, but were running out of stock in the countryside. Some overstocked goods were piled up in the wholesale centers and could not find their way to the retail stores. They were out of stock even in the small and medium-size cities. Last year, many types of chemical fiber cloths were stockpiled so that this year, their production has to be restricted. If these cloths can find their way to the rural market, they will not only be welcomed by the peasants but also help in the development of the textile industry. In the past 3 years, adoption of the system of responsibility for production has greatly helped in the development of the rural economy and increased the purchasing power in the countryside. However, the industrial products being supplied to the countryside are still of a low-grade with very few designs and varieties, and are too backward to meet the peasants' needs. Thus organizing for industrial products to be brought to the countryside has become a sharp problem, and the solution of it will not only meet the needs of production and consumption in the countryside, but also promote the sales and reduce the stockpiles of industrial products in order to promote industrial development. This is an important move in enlivening the economy at present. The journals have carried editorials and articles on this subject recently, but in my opinion, the problem still cannot be solved, because some key measures for the solution are still lacking. Further study is still necessary.

To increase the supply of industrial products to the countryside, we must increase the commercial network outlets in the countryside too. However, it would be difficult for only state-run commerce and the supply and marketing departments to undertake this task. There are tens of hundred thousand production teams in our country, and if there is to be one outlet for

every production team, there will be tens of hundred thousand outlets. Then where will the investment come from? The stock of commodities in even the existing commercial network outlets is miserably low, and many overstocked commodities cannot be bought from them. Some time ago, there has been incessant disputes on whether the supply and marketing cooperatives at the commune level should be under the jurisdiction of communes. In fact, the number of rural commercial network outlets is not too large, but too small. In my opinion, there should not be any dispute on this point. It would be better for both disputing parties to do something so that there will be more outlets in the countryside. While state-run commerce and the supply and marketing cooperatives are increasing their sales outlets, the communes should be permitted not only to set up their commercial organs, but also, subject to the consideration and approval of the industrial and commercial administration bureau, be given business licenses to develop individual economy in the form of itinerant trading, which should also be permitted to draw their supplies in small quantities from state-run wholesalers to be brought to the countryside for sale. Individual itinerant traders are now legally permitted to bring agricultural products into cities; however, if they bring industrial products from cities to the countryside, they are branded as "second-hand peddlers" who do not seem to enjoy any legal status. Many comrades hold the view that buying industrial products to be resold at higher prices constitutes an act of speculation and profiteering. It is true that for the transfer of industrial products to the countryside, the main way is to encourage state-run commerce and the supply and marketing cooperative to increase their supplies to the countryside, and a second method is for the communes or production brigades to engage in collective commerce. Individual itinerant trading can only play a small supplemental role. Whenever there is itinerant trading, there is also speculation and profiteering, and the industrial and commercial administration bureau should strengthen its market control. We should invite everyone to put forward these problems for study. In organizing industrial products to be brought to the countryside, the problem of pricing should also be solved. To reduce the price disparity between industrial and agricultural products in the rural and remote areas, the commodity price committee already reduced the regional differential in 1964 and the price disparity between cities and the countryside for some products (such as textile products) was abolished. Thus commercial losses were sustained in the remote and rural areas, and such losses were made up by the first-level and second-level wholesale centers. When the systems of independent accounting and separate accounting for profit and loss have been adopted, it may be worthwhile for this method to be studied afresh. If we want to develop collective or individual commerce, we cannot insist on their buying and selling prices to be the same; otherwise, nobody would be interested in such business. We must either permit some difference between the urban and rural retail prices, or let the people engaged in such business buy their goods in small quantities at wholesale prices and make some money from higher retail prices. At the same time, in encouraging state-run commerce to send industrial products to the countryside, it may be necessary to restore the regional differential to a certain extent. Of course, the present question of pricing is a very sensitive one and its handling calls for extreme caution. However, provided overall stability is ensured, we can still study certain



practical methods in restructuring. In dealing with overstocked goods, the system of selling at reduced prices should also be considered; otherwise these goods will continue to accumulate until finally they have to be written off, in which case, the loss will be even more serious.

There are many problems to be studied and solved in the sphere of circulation, and the improvement of economic results for the economic activities in the sphere of circulation involves many complex issues. What I have mentioned here touches only part of the issues frequently encountered in our recent work, and there are many other important ones requiring our consideration from various angles. For example, some commercial and service trade enterprises are now experimenting on the system of economic responsibility. They should seriously sum up their experiences. To improve economic results in the sphere of circulation, we must arouse the enthusiasm of the enterprises and their workers and staff members in improving their business management. Therefore, we must do away with the practice of "eating from the same pot" and egalitarianism, and set up a system of responsibility for business management in which responsibility, rights and interests are combined. However, adoption of the system of responsibility for business management in commerce and the service trade would be, to a certain extent, more complex than the adoption of the system of economic responsibility in industry. This matter must be carefully handled. Some reward should be given to those workers and staff members who are bringing goods down to the countryside under trying conditions; however, there should be a limit to these rewards, lest it may affect the morale of other workers and staff members. I have not yet studied this question well, and hope those comrades who have already done so will let us see the result of their research.

I present these random thoughts on the occasion of the founding of the commercial economics society along with my greetings to this meeting, and hope everyone will step up their investigations and study, proceed from realities, and contribute to the improvement of economic results in the sphere of circulation. If what I have spoken of is incorrect, the comrades are invited to correct it.

30 May 1982

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## ECONOMIC MANAGEMENT

### VALUE ENGINEERING RECOMMENDED FOR IMPROVING ECONOMIC RESULTS

Beijing ZHONGGUO CAIMAO BAO in Chinese 10 Aug 82 p 3

[Article by Chen Xinxu [7115 2450 6932]: "Value Engineering Is A Good Method For Enterprises To Improve Economic Results"]

[Text] How can we improve economic results? What work should be done and what measures should be taken for this purpose? These are very complex questions which concern many aspects. For industry, the use of value engineering is a good method to improve economic results.

Value engineering is nothing mysterious. It means a planned and organized activity to accomplish the necessary performance (equivalent to quality) of products (or work) with the minimum total cost. By analyzing the performance of products, value engineering finds the way to lower the production cost and to obtain the best economic results. The so-called "value" refers to the ratio between the performance and production cost of products. The value will be highest when a product is produced with the minimum cost and is yet able to give the necessary performance for the customer. If the performance of two products is the same, the one with lower production cost will be of higher value. If the production cost of both products are the same, then the one with better performance will have higher value. The usual criterion for consumers to evaluate the value of products is "good products at low prices."

Some people are of the opinion that we already carried out quality control and cost control in the past, although we did not use the term "value engineering." As long as the problems can be solved, they contend, we do not have to use value engineering. This argument sounds reasonable, but is incomplete. Quality control can do much to improve the product's performance, but does not stress the need to lower the production cost. Cost control is only concerned with the reduction of production cost, but not with the improvement of the performance. Some enterprises have one-sidedly carried out quality control or cost control. If they have to improve the quality of their products, they must raise the productive cost; if they have to lower their production cost, they will do a sloppy job regardless of quality. In the past, there have been instances of dislocation between different sections in the division of work in some enterprises, because their personnel generally felt that improving the quality of products

is the job of production technicians, while lowering the production cost is the job of the financial personnel. These two jobs were not coordinated, because each section went its own way. Thus, it was very hard to achieve both good and economic results. Value engineering is concerned with the increase in the value of products and calls for the cooperation of the production technicians, the economic managers and the experienced workers and staff members and the use of collective wisdom in conducting qualitative analyses and quantitative estimates on the performance and product cost. In addition to lowering the production cost, it also strives to improve the performance so that the product will meet the customer's requirement. This will mean a perfect combination of good and economical results, or better economic results by accomplishing the necessary performance with minimum production cost. From this, we can see that value engineering is a branch of management technology which closely combines technology with economics and quality with production cost, as well as a qualitative leap in the work of quality control and cost control.

Furthermore, the total cost of products referred to by value engineering (also called life-cycle production cost) includes not only the production cost, but also other expenses, such as those used in storage, circulation, marketing, utilization, maintenance, and even the disposal of written-off products. The total cost must be lowered before the production enterprises and the users can reap the economic benefits and before the rational use and conservation of social manpower and material resources can be realized. At present, the products of some enterprises are poorly designed and its quality is inferior. As a result, the consumption of energy and work-hours is high in their being used. Furthermore, their maintenance is costly and the losses from work stoppage are heavy. Some user has said: "We can afford to buy it, but cannot afford to use it." The upshot is that the total cost has been increased; the users and the society are not satisfied; and the production enterprise has difficulty in selling its products. Therefore, by lowering the total production cost, value engineering not only meets the requirements of microeconomics, but also open new sources for macroeconomic benefits.

As we all know, there are many methods to lower production cost. But engineering does not use ordinary methods for this purpose. After a systematic analysis of the product's performance, it has to discover the existing problems, work out the best plan to accomplish its performance, and then attain the goal of cost reduction. Value engineering is a scientific method discovered through long practice, and has been recognized as the most effective method to lower production cost. It is more effective than the ordinary methods because it has a grip on the link of performance analysis, from which it discovers a set of more scientific methods of thinking and steps of working, whereby it can mobilize collective wisdom and mass skill to contribute to the accomplishment of the performance and the reduction of production cost.

Value engineering was imported from abroad only a few years ago. The industrial enterprises in some areas of our country have used this method to lower the production cost and to improve the economic results with

great success. The scope of its use is quite wide, because it can be used by all units in which the performance and production cost (including time and the other expenses) can be compared in calculating and analyzing the economic results. The so-called "performance" refers to the kind of performance in the ordinary sense as well as the quality, effects, efficiency and so forth. Therefore, all sectors of the national economy, such as industry, agriculture, commerce, communications and transportation, the service trade, scientific research and so forth, can use it for the purpose of improving the economic results and the work methods.

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## ECONOMIC MANAGEMENT

### ANHUI CORRECTS ECONOMIC INVESTIGATION MISTAKES

OW050331 Beijing XINHUA Domestic Service in Chinese 0040 GMT 4 Oct 82

[Text] Hefei, 4 Oct (XINHUA)--The Industrial and Commercial Administrative Bureau of Huoshan County, Anhui Province, investigated economic crimes allegedly committed by the "enterprising household" of Wang Quanjing. A joint investigation team formed by the provincial, prefectural and county authorities, which rechecked this case, refuted the views expressed by the county Industrial and Commercial Administrative Bureau by saying that Wang Quanjing should not be investigated because, basically, he made his money through his own labor.

Wang Quanjing, 28 years old, is a senior middle school student who returned to the countryside to take up farming. In addition to himself and his wife, who are able-bodied workers, his six-member household also includes a 60-year-old mother and three children under 10 years of age. Wang Quanjing's household is located in the Xiaxinwu production team, Shuanglong brigade under the Danlongsi Commune in Huoshan County, Anhui Province. Inspired by the guidelines of the 3d Plenary Session of the 11th CPC Central Committee, he started out by making and selling baskets for use in mining and by selling firewood and tea seeds. Later, he put the money he had earned into cultivating saplings for afforestation and in developing diversified undertakings, thus opening the way to make money. In the past 3 years, besides growing grain and oil-bearing crops, he has afforested more than 100 mu, cultivated over 20 mu of saplings, planted 18 mu of tea, grown bamboo and herb medicine, cultivated edible wood fungus and raised hogs, bees and oxen. In 1978, his total family income amounted to only a little over 800 yuan, averaging just over 110 yuan per person, and total amount of food grain was less than 400 jin. By 1981, his income had risen to over 3,000 yuan, averaging over 400 yuan per person, and the food grain amounted to over 1,700 jin. He was present at the county meeting commending those who made money through their own labor.

After the nationwide struggle against serious crimes in the economic field was launched this year, the Huoshan County Industrial and Commercial Administrative Bureau, based on the information and reports by a handful of people, listed Wang Quanjing as one of the four major cases of speculation

and profiteering in the county and conducted a special investigation. Wang Quanjing was asked to go to the county to make a clean breast of his case where he was investigated for 26 days. Only after a responsible person of the county CPC committee had taken a personal interest in the matter was Wang Quanjing released to go home.

During his investigation in the county, Wang Quanjing appealed to the CPC Central Committee and the State Council. In the meantime, departments concerned, including the agricultural and industrial departments of the Anhui Provincial CPC Committee, formed a joint investigation team to check on this matter and refuted the view of the Industrial and Commercial Administrative Bureau.

1. Regarding the question that Wang Quanjing sold 10,000 baskets, which he had made, for mining use to the Huainan coal mine and helped others to sell another 7,000 mining baskets, the investigation team's report said that making baskets for mining use is a household sideline production undertaken by the local people utilizing local resources. This cannot be classified as speculation and profiteering because it is permitted by party policy, whether these baskets were made and sold by Wang Quanjing himself or by his relatives or friends organized by him for sale.
2. Regarding the question that he sold firewood and tree roots to the Hefei iron and steel plant, the investigation team's report noted that tree roots, firewood and decayed timber and items not included in the state plans, which have no other use in the mountainous areas than firewood. These items, scattered in various families, households and individual units, are unsuitable for transportation and have no market locally, but are urgently needed by the iron and steel plant as furnace ignitors. Therefore, by handling these items and keeping the channel of circulation open when the state is not doing it in an organized way, Wang Quanjing is doing a good deed in enlivening the economy, benefiting both the country and the people. This should not be looked upon as speculation and profiteering.
3. Regarding the question that he procured and sold tea seeds, the investigation team's report said that, while the government called on the mountainous areas to vigorously develop tea production, the amount of tea seeds being supplied by the tea companies cannot satisfy local needs. In these circumstances, Wang Quanjing took the initiative in procuring tea seeds from other areas and then selling them to his own brigade cheaper than that set by the state. By so doing, he was supporting the commune members' efforts to develop new tea plantations. This is different from selling for the purpose of making an exorbitant profit.
4. Regarding the question that Wang Quanjing hired help during the busy tea planting and afforestation season, the investigation team's report pointed out that the people hired by Wang Quanjing were all his friends and relatives, who volunteered to help and took care of their own food. Besides, they were paid, thus such a practice cannot be looked upon as exploitation.



The Anhui provincial, prefectural and county investigation team drew a clear-cut conclusion, affirming the achievements of Wang Quanjing in afforestation, cultivating saplings and tea planting as well as in developing diversified undertakings that made him rich through his own labor. The departments concerned, by summoning Wang Quanjing to county to make a clean breast of his case and by keeping him there for as long as 26 days, violated the guidelines embodied in the documents of the CPC Central Committee and the State Council and run counter to the law. Leading members of the Huoslan County CPC Committee, districts and communes also shared this view.

While concluding that Wang Quanjing should not be investigated, the provincial, prefectural and county investigation team also pointed out some of Wang Quanjing's shortcomings: for example, in promoting sales with factories and mines, he indulged in improper practice by inviting guests to dinner and presenting them with gifts; he also did something improper for others in violation of principles. All this should be corrected.

CSO: 4006/42

## ECONOMIC MANAGEMENT

### 'HEBEI RIBAO' EDITORIAL ON FINANCIAL AWARENESS

HK151129 Shijiazhuang HEBEI RIBAO in Chinese 4 Oct 82 p 1

[Editorial: "A Householder Must Know How to Budget"]

[Text] In his report at the 12th National Party Congress, Comrade Hu Yaobang put forth the great goal of quadrupling the gross annual output value of our industrial and agricultural production by the end of this century. Our country has entered the historical period of creating a new situation in all fields of socialist modernization. To realize this great goal calls for a tremendous amount of money. But at present, we are in financial straits and are hard up for money. There is an obvious conflict between our need for funds and our capability. To bring about a fundamental turn for the better in the financial and economic situation as quickly as possible and lay a good foundation for future economic revival, the leadership at all levels and all enterprises, units serving the people, organizations, schools and other units must run their households and manage their finances in a down-to-earth manner. They must strive to develop production, improve economic returns, strictly practice economy, fight masterful practices, and ensure the financial needs for modernization. This is an urgent task of strategic significance confronting us.

Our Chinese nation has traditionally been careful about budgeting. A review of our country's several thousand years of history shows that given budgeting and good financial management, a poor country will become rich; given the neglect of budgeting and poor financial management, a rich country will decline. Our party has carried on and developed the fine tradition of the Chinese nation. Whether in the period of the revolutionary war, or in the period of socialist construction, unusually great attention has been paid to financial management, thus ensuring the smooth progress of the revolution and the cause of construction. But during the 10 years of internal disorder, this tradition was seriously undermined. Since the 3d Plenary Session of the 11th CPC Central Committee, such a situation has begun to change. But at present, there still exists a very serious situation among the leading comrades of departments and units in quite a large number of areas in which householders pay no attention to budgeting, or householders know nothing about financial management.



One of the manifestations of the practice of running a household without budgeting is the lack of attention to economic yields. In the area of production, solely pursuing output value without regard to social needs, or stressing production to the neglect of management is quite a common phenomenon. Many enterprises are marked by a heavy consumption of energy, the poor quality of their products, high production costs, a low level of accumulation and shocking loss or waste. The material consumption of enterprises, their capital accumulation, the turnover rate of their circulating funds, and so forth have fallen far behind the best levels in history. In regard to circulation, outlets for commodities are not operating smoothly, sales are sluggish, unsold stocks pile up, expenses rise and profits drop

Another manifestation of the practice of running a household without budgeting is the lack of a conception of the whole situation. Funds are diffused and used wastefully. With partial interests in mind, some areas have built projects that are not needed, as far as the whole situation is concerned. They blindly start or duplicate construction projects, wasting large amounts of financial and material resources and aggravating the disproportionate state of affairs. Some increase the percentage of profit they retain without authorization. So there is an increase in the profits realized but a decrease in the amount of profit handed over to the state. A large amount of funds intended for "tapping potential, renovating and restructuring" is devoted instead to capital construction. This interferes with the technical transformation of enterprises. Prompted by partial interests, some other areas have even unhesitatingly resorted to such illegal means as squeezing, taking, sharing, appropriation, and so forth, as they dip into the state coffers and run foul of financial discipline.

Still another manifestation of the practice of running a household without budgeting is "a householder knowing nothing about the high price of firewood and rice" and spending like a rich man, despite being a poor man. They throw their money about. Some people spend money to get things done. They do not know the actual situation but insist on getting what they want. There is no budget for money that should be spent. Money that should not be spent is instead freely allocated and freely used. Some projects are started only to be suspended, or suspended only to be started again, some are dismantled only to be restored, or restored only to be dismantled. Things are repeated this way again and again. The value of money is not appreciated. Deadwood is found in organs, organizations, and units serving the people. There are more workers than are actually needed. The situation marked by too many conferences, too much paperwork, too many telephone calls, too many cars and too many expenses and low work efficiency is quite common. Some people recklessly go on a spending spree and even sacrifice public interests for private gain and appropriate public property for themselves, promoting unhealthy practices and seriously divorcing themselves from the masses.

The causes of the above problems and their existence, fundamentally speaking, are attributable to interference and sabotage by the Lin Biao and "gang of four" counterrevolutionary cliques. As far as our work is concerned, some

comrades do not fully see the importance of budgeting. The idea of sharing a "big pot of rice" has long been ignored without being corrected. They pay no attention or close their eyes to serious loss or waste. Where such a case is brought to their attention, they look the other way. They do not give a damn where money can be had just for the asking. They are woefully lacking in a sense of responsibility or they just take everything for granted. What is wrong is even considered right. "It is like staying in a fish market and getting used to the stink." Some areas are not strict in the enforcement of regulations and systems. They are lax in financial management. There are no regulations to abide by or regulations and laws exist only to be ignored. Laws are not strictly enforced. All these are serious obstacles that stand in the way of overcoming financial difficulties, increasing the accumulation of capital and stimulating modernization. They must be overcome.

In running a household and managing finances, we must first have correct ideas and raise our consciousness. To budget for a household, to strictly practice economy, to fight wasteful practices and to bring about a fundamental turn for the better in the financial situation are important conditions for the realization of the great goal of economic construction. They also represent one of the important measures for restoring the party's fine traditions and improving social practices. The leadership at all levels should realize from this high plane the extremely great importance of budgeting for a household. We must closely rely upon the strong leadership of the party Central Committee, seriously follow the correct line formulated by the CPC Central Committee, unify thinking, and raise awareness. We must treat financial management as a major event bearing on economic construction as a whole and put it on the agenda. We must formulate plans, take measures, strengthen leadership and handle financial matters well.

In budgeting for a household, we must strive to develop production and improve economic returns. Only with production developed and results improved can there be a good source of income. To improve economic returns, we must first organize enterprises well. The key to success lies in consolidating leading groups and boldly cultivating and using "understanding people [ming bai ren 2495 4101 0086]. Only with "understanding people" in charge can production rise. Only in this way can returns improve, and can money roll in. We must let "understanding people" lead the way and let talented people quickly appear on the scene. On this basis, we must strive for microeconomic returns. As far as an enterprise is concerned, we must first improve the quality of products and achieve the aim of producing what is suited for the market and realizing the beneficial effects of products on society. Second, we must strengthen economic accounting, reduce the consumption of raw materials, improve profits and realize the economic benefits for given enterprises. At present, our central tasks are: the proper handling of cost management, the strengthening of fundamental work, the improvement of the management system, the proper handling of the system calling for a fixed number of workers and fixed quotas, and the establishment of an economic responsibility system and its strict implementation. Only in this way can we achieve the aim of increasing production and practicing economy, tapping potential and preventing wasteful practices, and adding to social wealth and financial income.

In budgeting for a household, we must foster the idea of "coordinating all the activities of the nation like pieces in a chess game." We must concentrate the necessary capital and devote it to priority construction projects. In the past few years, to improve the people's living standard, enliven the economy and solve some problems left over through the years, the state has made some readjustments concerning the policy of allocating financial resources. The living standard of the people has thus been improved. The circulating funds of enterprises have increased from year to year. This is necessary and correct. The problem is that the state's financial resources are somewhat diffused. There are inadequate funds for priority construction projects. A number of mismanaged enterprises are "assured of harvests in spite of drought or floods" at the expense of the state. If such a situation is not changed, the continuous development of the national economy as a whole will suffer. Therefore, we must act according to the guideline set at the 12th National Party Congress and uphold the spirit of "meeting both food and construction needs." We must see to it that the state concentrates the necessary funds on construction and also continues to improve the people's living standard. To concentrate construction funds, given areas must guarantee the timely transfer of the exact amount of profit that should be handed over to the central authorities. The state must also adopt a correct policy toward enterprises, so that the latter can benefit by their own efforts to tap the potential and improve economic results and also benefit where such efforts have been successful or unsuccessful. Those enterprises that are well managed must be able to turn over more profits to the state and also to make technical improvements. Those that are poorly managed must guarantee fixed contributions to the state. They are left to fight for their own survival and even to perish. Only in this way can we really arouse the enthusiasm of enterprises, not only guaranteeing the concentration of the state's needed funds but also ensuring the systematic introduction of technical transformation.

In budgeting for a household, we must seek an overall mobilization. We must first strictly practice economy and fight wasteful practices. To realize the various fighting tasks put forth at the 12th National Party Congress, the state will need much larger amounts of capital for construction. Where will the capital come from? Our traditional experience shows that we must rely upon both increased production and the practice of economy. For those expenses that must be defrayed, we must guarantee the needed funds and also pay attention to the results achieved. We must make every cent count, directing funds to the improvement of equipment and technical transformation in agricultural, educational, scientific and other enterprises. We must resolutely cut out such expenses as can be done away with. We must educate the masses of cadres and people, so that they can have a deep understanding of the great significance of the practice of strict economy and the elimination of wasteful practices, and the realization of the great strategic goal and the "three fundamental turns for the better" put forth at the 12th National Party Congress. In this way, they can further develop the fine tradition of fighting amid hardships and being industrious and thrifty. The practice of economy is thus

turned into the conscious action of every cadre and worker. On the basis of heightened ideological awareness, we must link the realities of given areas, departments and units with the mobilization of the masses to examine themselves, check each other, set forth problems, expose contradictions, formulate measures, establish and improve regulations and systems and plug all the loopholes for wastefulness. We must call upon the masses of cadres and workers to set their sights on major goals and act on minor matters saving every little piece of thread, every unit of electricity and every drop of water. Every little bit counts as the saying goes. Leaders at all levels must set a personal example and take the lead in practicing economy. They must come up with ways to reward economical practices and penalize wasteful ones. Thus, those people practicing economy can benefit and those given to wastefulness can be criticized or punished. They must give full play to the functional role of economic management departments. In regular and planned manner, they must organize inspections concerning performance of duty, taxation and financial discipline. Serious cases of waste must be severely and swiftly dealt with by the party and government leadership departments at all levels.

At present, guided by the spirit of the 12th National Party Congress, the people throughout the country are full of enthusiasm and pushing ahead bravely. A mass campaign for practicing economy and increasing production is being launched in an extensive and thorough manner. We must take budgeting for a household as a major issue, tackle it in a strict and proper manner and achieve the desired results, making proper contributions to the realization of the various fighting tasks put forth at the 12th National Party Congress.

CSO: 4006/42

NEED TO RESOLVE NEW PROBLEMS OF SPECIAL ECONOMIC ZONES SEEN

Shanghai SHIJIE JINGJI DAOBAO in Chinese 21 Jun 82 p 13

[Article by Wang Zhuo [3769 3820]: "Research New Situations, Resolve New Problems"]

[Text] The Shenzhen Special Economic Zone has been established only 2 short years but there have been enormous changes in this small border town that was once without any industry or modern buildings. Comparing 1981 with 1978, the value of industrial and agricultural output has more than doubled, fixed assets have increased 15-fold, local revenue has increased more than 4-fold, local foreign exchange has more than doubled, the average wages of employees have increased nearly 3-fold, and the average allocation of collectives to rural commune members has nearly doubled.

China established the special economic zone further to expand economic cooperation and technological exchange with foreign countries to promote socialist modernization. Through the special economic zone we can come in direct contact with and observe the developments of the world's modern economies, study advanced technology of foreign countries and useful managerial experience, and try out reforms, especially reforms in the economic system. At the same time, using the special economic zone form to carry out more liberal "special policy and flexible measures" in a small area is useful for attracting foreign capital and advanced technology, for concentrated management of foreign capital and for gaining managerial experience and training personnel. While building a material culture, in the special economic zones we are paying attention to building a spiritual culture to guarantee that the special economic zone will continue to follow the correct and healthy development of the four basic principles.

Since Guangdong began to implement the special economic policy and the flexible measures, economic results have been good and there has been rapid growth in industry. However, there have also been some new situations and problems that have appeared in our course. What new situations and problems have appeared? On the basis of my personal observations:

1. Due to a variety of reasons, there have been developments in the class struggle in the economic realm, some people have become corrupted, and illegal and criminal activity has increased in the economic area. With regard



to this problem, first, we should maintain the socialist path, strengthen ideological and political work, strictly enforce discipline, and those "people who were corrupted, including out-party members, cadres and people should be criticized, disciplined and handled evenly according to the law." Second, we should strengthen rule by law and on the basis of state law resolutely attack illegal and criminal activity in the economic realm.

2. Because the volume of export trade has increased sharply, foreign exchange income has doubled and redoubled, and contradictions have appeared in the balance of foreign exchange and goods and materials. However, this contradiction is not hard to resolve. Creating foreign exchange locally depends mainly on exchange for exported goods and materials, for local areas to transfer foreign exchange to the state. The state should organize a planned balance between goods and materials and foreign exchange, allocate the appropriate quantity of goods and materials in the local area, put into circulation currency which has been withdrawn because of the purchase of commodities for export, and maintain the exporting province's basic price stability and basic rationalization of currency circulations. These are all important for economic development and people's standard of living.

Since China has begun to implement the policy of liberalization toward foreign countries, there has been evidence of the contradiction between our planned economy and the market economies of foreign countries. What China implements is a socialist planned economy and exercises unified leadership and unified planning of exports and imports, but it should also link up attracting foreign capital to China for plant construction and energy, communications and supply and marketing with domestic economic planning to achieve a balance. This is one aspect. In another regard, many foreign countries are market economies and are governed by the laws of market economy. In making contact with foreign industrial and commercial countries, China, for one, can neither discuss discipline nor obedience, but can discuss negotiation, contract, equality and mutual benefit and willingness on the part of both parties. This demands that we should have flexible reactions and be able to make accommodations with regard to foreign economic activity. Otherwise, it will be difficult to bring into line the contradictions between our domestic planned economy and foreign market economies. One of the important demands of the CPC Central Committee and the State Council in deciding to implement the special economic zones and flexible measures in Guangdong is to gain experience in economic system reform to harmonize the relations between our planned economy and foreign market economies. It now appears that this cannot be done by just one province alone, but requires coordination with relevant sections of the State Council. If we can achieve new developments in economic system reform, then the situation in the development of relations with foreign economies will definitely be better.

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CSO: 4006/585

## ECONOMIC MANAGEMENT

### INITIAL SUCCESS FOR SYSTEM OF ECONOMIC CONTRACTS REPORTED

Kunming YUNNAN RIBAO in Chinese 5 Aug 82 p 2

[Article by Lu Jianhua [7120 1696 5478]: "Initial Success in the System of Economic Contracts in our Province"]

[Text] Thanks to the combined efforts of the industry and commerce administration departments and the relevant departments at all levels in the province, the implementation of economic contract laws and the economic system and the control of contracts have shown initial success.

Up to the end of last year, 93 counties and municipalities, or 71.5 percent of the total number of counties in the province have begun their work in the notarization and control of contracts. More than 7,500 contracts involving 532 million yuan were notarized. The number of contracts and the amount involved was more than those of 1980 by 21.2 percent and 14.6 percent respectively.

Strict enforcement of the contract system has helped to effectively guarantee the implementation of state plans and has played an active promotional role in production and circulation. In 1980, Kunming Municipal Light Industry Bureau assigned to the Kunming Municipal Number Two Rubber Plant the task of producing 3.8 million pairs of rubber shoes for the year. In accordance with the procurement plan and the market needs, the provincial grocery center signed contracts with this plant for the procurement of rubber shoes of various specifications and for different seasons. Thus the contracts closely coordinated the plans of both parties. The state's plan was fulfilled and the market needs were fully met. Last year, the Yanggang Supply and Marketing Cooperative in Tonghai County signed contracts with various communes and production brigades for the procurement of three different types of vegetables, and supplied to Beijing and other large cities 1,550,000 jin of vegetables. Thus the state, the collectives and the individuals all gained some benefits.

To ensure the fulfillment of contractual obligations, the industry and commerce administration department has performed an active role in notarization. More than 95 percent of the contracts notarized in our province were fulfilled. The economic court has also been asked to arbitrate in economic disputes. Thus the economic interests of all parties are safeguarded.

Since 1 July this year, the "Economic Contract Law of the People's Republic of China" was formally implemented. Before then, the provincial industry and commerce administration bureau held a symposium attended by the responsible persons of various prefectural industry and commerce bureau in charge of contracts to sum up the experiences of the province in enforcing the system of economic contracts, and in improving the work of contract control. The leadership of industry and commerce bureaus at various levels were called on to conscientiously implement the economic contract laws and the economic contract system, and to control the contracts effectively in order that the contract system can play a more effective role in the national economic construction in our province.

9411

CSO: 4006/640



## ECONOMIC MANAGEMENT

### BRIEFS

**GUANGDONG MANAGEMENT WORK**--Not long ago the provincial finance department held a meeting in Foshan on strengthening the management of financial and accounting work in enterprises and raising economic returns throughout the province. The meeting discussed the implementation of the 12th congress spirit and arranged the work of strengthening out financial and accounting work in enterprises throughout the province. All participants held that in order to bring about a thorough change in financial and economic work, all financial and accounting personnel must bear heavy responsibilities. Eighty percent of the province's financial revenue comes from state-run enterprises. Only by straightening out state-run enterprises and raising economic returns is it possible to bring about a thorough change in financial and economic work. What should we do in straightening out financial and accounting work in enterprises? We must first of all have a clear ideological understanding, straighten out raising economic returns, get rid of the ideas of scrambling for profit from the state and firmly establish the idea of taking the whole country into account. It is, therefore, necessary to call a halt to all unhealthy practices and tricks and to earnestly help enterprises do well in the basic work of economic audits. It is all the more necessary to set various average advanced targets and establish an overall economic responsibility system. Meanwhile, reorganization work must be done among financial and accounting personnel, and professional study must be conducted among them so as to raise their professional level as soon as possible. [Text] [HK060628 Guangzhou Guangdong Provincial Service in Mandarin 2350 GMT 3 Oct 82]

**HUNAN ECONOMIC CRIME**--Cadres and policemen of Yueyang Prefecture's procuratorial organs are seriously studying and implementing the spirit of the 12th CPC National Congress and are firmly grasping the work in handling a number of important and key criminal cases in the economic field. Recently, Yueyang Prefecture's procuratorial organs at two levels firmly grasped the work in handling important and key criminal cases. By the end of August, 41 cases had been decided upon and over 160,000 yuan of economic loss had been retrieved. After the 12th CPC National Congress, they again analyzed nine major cases and arranged them in order of importance and urgency. (An Jingdu), chief procurator of a subprocuratorate, and (Gong Suopei) and (Bai Nianqing), deputy procurators, often go to county and municipal procuratorates to give guidance in handling important and key criminal cases and exercise face-to-face leadership. Of the 24 chief procurators and deputy procurators, 16 personally handle important and key criminal cases. Comrades shouldering heavy responsibilities are assiduously working day and night and are taking various measures to crack important and key criminal cases. [Text] [HK081116 Changsha Hunan Provincial Service in Mandarin 1100 GMT 7 Oct 82]

## FINANCE AND BANKING

### MEASURES TO STRENGTHEN FINANCIAL, ACCOUNTING WORK TAKEN

Beijing ZHONGGUO CAIMAO BAO in Chinese 12 Aug 82 p 1, 2

[Article: "Completely Overcome the Tendency Toward the Neglect of Financial and Accounting Work; The State Council Has Approved and Relayed the Report of the Ministry of Finance on Strengthening Financial and Accounting Work Among State-Run Enterprises"]

[Text] The State Council has recently issued a notice concerning its approval of the "Report on Strengthening Financial and Accounting Work Among State-Run Enterprises" and called on all people's governments in the provinces, municipalities and autonomous regions; all ministries and commissions under the State Council; and all other directly affiliated organs to act in accordance with the recommendations of the Report.

Excerpts from the "Report on Strengthening Financial and Accounting Work Among State-Run Enterprises" are as follows:

Financial and accounting work in enterprises is a powerful tool for reflecting and supervising the enterprises' economic activities, strengthening business management, improving economic results and increasing production along with the practice of economy. In the past several years, while adopting the system of economic responsibility and urging the enterprises to improve their management, the state has adopted various measures to improve the work of finance and accounting. However, according to the result of the financial inspections on the enterprises in various localities, only a small number of enterprises have done fairly well in this respect. In the majority of enterprises, there are problems in varying degrees of inefficient management, confusing accounting data, and inaccuracies in the accounting of assets, funds and production costs, as well as laxity in financial discipline. In some enterprises, the financial management is even chaotic, leading to serious loss and waste, and there are frequent violations of law and discipline. Enterprises must have accurate calculations and scientific analyses, if they want to improve their economic results. Weakness in financial and accounting work not only hinders economic accounting and causes loss and waste, but also provides the opportunity for graft, embezzlement and other illegal deeds. This matter should be taken seriously by the departments in charge of enterprises at all levels and by the

enterprises themselves, and the tendency toward the neglect of financial and accounting work must be completely overcome. During the present reorganization of enterprises, all localities and departments should conscientiously consolidate and strengthen their financial and accounting work with the improvement of economic results as the central task, and strive to bring about a marked improvement in this work with the next 2 or 3 years.

1. All enterprises must thoroughly streamline their financial and accounting work, and set up time limits for meeting the following requirements: 1) The basic work for strengthening economic accounting and a sound system of financial accounting. 2) Correct implementation of state policies and decrees and observance of financial and economic laws. 3) Prompt payment of taxes due and handing in of profits. 4) A set of practical and effective measures for protecting state property. 5) A system of relying on the masses in enterprise administration and financial management, and a system of running the enterprise with diligence and thrift. 6) A sound financial structure with competent finance personnel. The departments in charge of enterprises and the finance departments should check these items one by one during their inspection of the enterprises undergoing reorganization. If these requirements are not met, their reorganization will have to continue.

2. The basic work of economic accounting and the system of financial accounting should be set up and perfected. There should be, among others, various kinds of first-hand records reflecting the activities in production and management; norms for the consumption of raw and semifinished materials and for the stocking of supplies; a system of examination of materials and their requisitioning and inventory; a system of examining, approving, requesting and reporting expenditures; bookkeeping and the methods of verifying vouchers; regulations for the calculation of production costs; methods for analyzing and checking on economic activities; a system of economic accounting at different levels with an account-general in charge; and report forms for financial receipts and payments and for accounting.

3. The state's policy of distribution and other relevant rules and regulations must be conscientiously implemented. The methods for enterprises to hand in their profits to the state and to retain them for their own use, the scope for the inclusion of expenditures in the production cost, and the criteria for drawing special funds all embody the state's policy of distribution, and must be approved by the State Council for implementation at the lower levels, or be worked out by the Ministry of Finance by authorization from the State Council. No locality, department or unit whatsoever can go its own way in contravention of the state's unified rules and regulations. Anyone believing that certain specific rules and regulations should be amended or improved can put forward his proposal. However, before the state's unified revision is carried out, he cannot make any change at will. All localities and departments should organize their forces to revise the rules and regulations of their affiliated units if any aspect of these rules and regulations are inconsistent with those of the state. In future, should there be any rule or regulation that contravenes those of the state,

the Ministry of Finance will have the authority to instruct its affiliated tax departments to ignore them. Special handling under extraordinary circumstances should also have the concurrence of the Ministry of Finance.

4. State property must be preserved intact and free from any damage, and protected from any infringement. The fixed and current assets of enterprises are all state property which brooks no infringement by any person with any means. All items of property should be completely recorded in books and there should be a distinctive system of responsibility for their use and custody. When any leading members of enterprises, the personnel in charge of financial affairs, and the personnel in charge of, or making use of the property are transferred away, proper procedures must be carried out for them to hand over personally the property to their successors, and such procedures must be supervised and attested by the leaders of a higher level. When enterprises are closed or suspended, special persons should be responsible for the custody, maintenance or disposal of the property. The cause of shortage or damage to property, or the circumstances under which the shortage or damage has occurred must be thoroughly investigated, and the culprit, whoever he may be, should be held economically or administratively responsible; in serious cases, he should even be held legally liable. All offenders in embezzlement, or in the misappropriation, plunder or destruction of state property must be dealt with according to law.

5. Cost (expenditure) accounting must be strengthened, and the business results of enterprises must be truthfully reflected. All enterprises must strive to produce more products needed by the society with the minimum consumption of labor and materials. They must realistically account for the production costs and circulating expenses strictly according to the scope of expenses to be included in production costs as prescribed by the state and according to the actual consumption. The substitution of planned production cost, designated production cost or estimated production cost for actual production cost is not allowed. Nor can they be permitted to include in the production cost such expenses as should be charged to capital construction or should come out of special funds. "Laying ambush," or falsifying the accounts or production cost is forbidden. Such false entries, once detected, will be immediately deleted by the finance departments, and the expenses will not be accounted for. The enterprise will not be allowed to draw any more enterprise funds or retain any portion of its profit; or deductions may be made out of these funds, according to the seriousness of the case.

6. Profits should be handed in promptly and in the full amount. They must not be withheld or diverted to other uses which may hold up the state's revenues. The enterprises must follow state regulations and correctly handle the interests of the state, the enterprise and the workers and staff members, with first priority to the state's share. All profits from sales by the producers, from trial sales, from products sold in exhibition and sales meetings, from imported or exported goods, from goods sold in consignments or at negotiated prices, from trading companies (warehouses), from local trust and investment companies, from high-grade guest houses and tourist enterprises, or from various types of handling charges, should not be retained without authorization for the benefit of the enterprise at the



state's expenses, or for the benefit of collectively-owned enterprises at the expense of the enterprises owned by the whole people. As soon as any such irregularity is discovered, the finance departments will immediately inform the enterprise concerned and take the corrective action. A time limit will be set for the amounts due to be paid into the treasury. If the payment is delayed beyond the time limit, the finance departments can ask the local bank to pay out of the enterprise's deposits and surcharge overdue payments of 0.1 percent for every day in arrear. The overdue payments can only come out of the enterprise funds or the retained profits, but must not be included in the production cost or charged as circulation expenses.

7. Control over various special funds must be strengthened so as to use funds to good advantage. The use of special funds by enterprises on tapping potential, equipment renovation and technical transformation must be consistent with the plans approved by the higher authorities for technical transformation and improvement of economic results, so as to be sure that the materials, equipment, funds and construction force are all used to the best advantage. Over-extension of the capital construction front must be guarded against. In paying bonuses, the enterprises must strictly follow the unified plan of the State Council, and must not go beyond the prescribed scope and limits or deviate from the set standards. They must not pay bonuses, subsidies or in kind under all sorts of pretext. On discovering any expense incurred against state regulations while examining the enterprises' final accounts, the departments in charge of enterprises and the finance departments at all levels should take immediate action in accordance with "Some Regulations Concerning the Handling of Financial Problems in the Course of Financial Inspection Among Enterprises" approved by the State Council on 3 May 1982, for the recovery of what has been indiscriminately paid or spent.

8. The financial and accounting structure should be strengthened by the training of finance and accounting personnel. All localities and departments must determine the types of financial and accounting structure of enterprises according to their work and tasks and quickly strengthen the structure with adequate personnel. The departments in charge of enterprises at all levels should set up their own independent finance and accounting structure. If they are short of personnel, the shortage must be made up. If anyone among the present personnel has not received any training in high or secondary vocational schools of finance and accounting, he must go through a vocational test. If the result of the test shows that he is up to a certain standard, then he will be given a suitable title in accordance with the "Provisional Rules and Regulations on the Technical Titles of Accounting Cadres." Those who are below the middle professional level in finance and accounting should be trained in separate groups within 2 years so that their professional level can be raised. The finance departments at various levels should consult the education departments and the departments in charge of enterprises and work out a set of rules and regulations for accelerating the training of finance and accounting personnel through organizational measures. The high and secondary finance and accounting vocational schools should systematically increase their enrollments. In places where conditions are favorable, some new finance and accounting vocational schools should be

opened. The finance departments, the departments in charge of enterprises, and the large enterprises should adopt various forms for the training of finance and accounting personnel.

9. Financial supervision by both the broad masses and the professional personnel should be strengthened. Economic accounting on a mass basis should be encouraged and democratic management of finance should be practised in order that the workers and staff members of the enterprises will be more concerned with production and revenues and will supervise over the consumption and expenditures. The broad masses of finance and accounting personnel must serve the public honestly, firmly uphold the principles, and have the courage to combat all violations of financial and economic laws. The workers and staff members of the enterprises and the finance and accounting personnel who have exposed illegal deeds should be protected by the state laws; retaliation against them is strictly prohibited. Cases of attacking finance and accounting personnel in revenge must be investigated by the finance departments one by one and then be severely dealt with. If the finance and accounting personnel break the law even though they are familiar with it, the punishment for them will be even more severe. The finance departments are now having finance personnel stationed in the large and medium-size state-run enterprises. These enterprises must actively support them in their performance of duty by giving them a truthful account of the situation and providing the required data, instead of obstructing them under any pretext.

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CSO: 4006/616

## FINANCE AND BANKING

### PROPER USE OF DEPRECIATION FUNDS STRESSED

Beijing ZHONGGUO CAIMAO BAO in Chinese 24 Aug 82 p 3

[Article by Liu Lixin [04914409 2946] and Tian Chunsheng [3944 2797 3932]:  
"Depreciation Funds Should Be Used on Renovation of Fixed Assets and Technical Transformation"]

[Text] In his report on the work of the government at the Fourth Session of the Fifth National People's Congress, Comrade Zhao Ziyang pointed out that carrying out technical transformation selectively and systematically in order to give full play to the role of the existing enterprises is the key to the smooth development of our national economy. The use of depreciation funds on renovation and transformation is an important guarantee of success in implementing this policy of construction.

The practice of diverting depreciation funds to other uses now deserves serious attention.

In the past several years, some localities and enterprises have used depreciation funds on the renovation of fixed assets and technical transformation and made remarkable achievements in promoting industrial reorganization and the integration of enterprises, in accomplishing specialization in production and the upgrading and updating of products and in reducing the consumption of energy and raw materials. On the whole, however, depreciation funds are being irrationally used, and there are many problems in this connection.

The depreciation funds drawn by enterprises are first "divided by four different parties" and the "go to the capital construction by various routes." A fairly large portion of the share of the state, the local authorities and the departments in charge are used on capital construction. The remaining share, which goes to the enterprise, is used partly as self-raised funds for capital construction and partly as an advance for circulating funds. Some enterprises using depreciating funds as advanced circulating funds have also misappropriated these funds and some bank loans to finance their unplanned capital construction projects. In other words, most of the four shares of depreciation funds are used on capital construction. According to a survey by the relevant department, approximately 80 percent of the depreciation funds drawn by enterprises were used on capital construction in 1980. The

improper use of depreciation funds has already produced unfavorable effects. For example, the scale of capital construction cannot be controlled; duplicate construction and blindly started projects cannot be stopped; the returns of investments have shown a big drop; and many enterprises are out of funds for the renovation of their fixed assets.

Why have depreciation funds been misappropriated in such large amounts?

There are many causes for the misappropriation of depreciation funds for other purposes. They can be summarized as follows:

First, economic construction has for along time been affected by "leftist" errors. As soon as the development of production was mentioned, some capital construction projects had to be started. If the investment was not enough, some gap had to be left. This was called "changing pressure into motive force." In effect, the enterprises were compelled to break into their depreciation funds in order to fill this gap.

Secondly, some comrades feel that since depreciation funds are part of the funds originally owned by the enterprises, and are "minor authorities" for the enterprises to carry on simple reproduction, the enterprises should manage them without state intervention. Thus in 1967, when depreciation funds had come under the control of enterprises, there were only plans for capital construction but not for the renovation of fixed assets in the national economic plan.

Thirdly, there is no system of economic responsibility for the enterprises in the control of depreciation funds. Since the founding of the People's Republic, the state has made several changes in the control of depreciation funds. After 1978, the control was partly centralized and partly delegated to the lower levels. Since it was not specifically stipulated that depreciation funds are to be possessed by the enterprises, these enterprises do not have any economic responsibility for the maintenance of the original fixed assets. Whenever they need additional fixed assets and the depreciation funds are not enough for this purpose, they will request state assistance under all sorts of pretext. Thus the small plants become medium-size ones, and the medium-size ones become large ones. Finally, the scopes of plants become enlarged; the number of dangerous buildings is increased; the equipment becomes outdated; but the enterprises cannot undertake renovation or technical transformation.

Fourthly, there is no department to take overall charge of depreciation funds. The rate of depreciation in the enterprises is determined by the Ministry of Finance, but it is difficult for the finance departments to control the use of depreciation funds. Some of these funds are deposited in the Construction Bank, and others are deposited in the People's Bank, but not in special accounts. Inside an enterprise, in most cases, these funds can be used by any department or section, without any unified plan of control.

In order that depreciation funds can be used on the renovation and transformation of fixed assets, the following measures should be adopted:



First, investments in fixed assets should be centrally planned but separately controlled at different levels and by different departments. Sometimes, it is very difficult to distinguish between capital construction projects and renovation or transformation projects, especially in the case of the transformation of key enterprises. They all need planned designs, feasibility study, the use of machinery equipment and building materials, and construction and installation engineering by the construction forces. When these projects have been commissioned, they all consume raw and semifinished materials, fuel, water, electricity, wind power or gas in varying degrees, and may even affect the layout of industry, the schedules of communications and transportation, the municipal administration facilities, and the balance between production and marketing. All these problems must be solved under a unified state plan. Way back in 1957, Comrade Chen Yun already pointed out: "The number of capital construction projects to be started is not decided by the amount of money, but by the quantities of raw and semifinished materials." The type of capital construction referred to by Comrade Chen Yun at that time was equivalent to the combination of capital construction and the renovation of fixed assets at present. In future, an overall arrangement should be made for investments in fixed assets according to the requirements for the development of production and the availability of our national resources, and this overall arrangement should be included in the state's long-range as well as annual plans for an overall balance to be worked out. There should also be control at different levels and by different departments. The major projects should be treated as though they are capital construction projects to be carried out according to the established procedures, while the ordinary projects of renovation and transformation should be arranged by the localities, the departments in charge and the enterprises on the basis of the unified plan.

Second, the renovation of fixed assets and technical transformation should be carefully planned. The renovation and transformation in enterprises should be coordinated with the economic readjustment. There should not be any sudden rush into action by all enterprises, each of them being concerned with its own needs, in order that there will be no duplicate renovation or blind transformation. They should be carried out selectively, purposefully and systematically on the basis of enterprise reorganization and economic restructuring, and centering around energy conservation, the lowering of raw material consumption, the upgrading and updating of products, the increase of varieties and the improvement of quality according to the plan for each trade. Renovation and transformation should be coordinated with the importing of advanced and suitable technology, and such technology should be first used by those localities or enterprises which have a strong industrial base, a high level of technology, and a good capacity for assimilation. The self-transformation of the machinery industry should be carefully attended to in order that it can provide advanced and suitable technology and equipment for the technical transformation of various sectors of the national economy.

Third, a system of economic responsibility should be set up for the enterprises for the use of depreciation funds. In future, the power to use depreciation funds should be gradually delegated to the enterprises, instead of being concentrated in the hands of the state, the local authorities or

the departments in charge. The enterprises should be instructed to use and control these funds well, and be held responsible for the preservation, maintenance and improvement of the existing fixed assets. Should the productive capacity of these fixed assets be weakened or destroyed, the leaders of the enterprise should be held economically, administratively or even legally responsible. Depreciation funds can be taken away from those enterprises whose resources have been exhausted or whose further development is restricted by the state. All enterprises must strengthen their control of their fixed assets and depreciation funds, as well as their accounting.

Fourth, control of depreciation funds must be strengthened so as to prevent their being diverted to other uses. The depreciation funds obtained by enterprises should, in accordance with the State Council's regulations, be deposited in the Construction Bank in a special account, and be used on renovation and transformation under supervision. This is a good way to ensure that these funds will not be diverted to other uses. For their renovation and transformation, the enterprise should first use its own funds; if these funds are not enough, it can enlist the support of Construction Bank in the form of loans. The use of deposits in or withdrawals from the bank as a means of adjusting the surplus and shortage of depreciation funds among different enterprises would be more flexible and effective than the use of financial or departmental authorities for such adjustment. The Construction Bank can also use its own experiences, accumulated over many years in the management of investments, to help the enterprises use their depreciation funds well.

There are several problems of understanding.

"Many old enterprises are short of funds for equipment renovation simply because the rate of depreciation is too low." This argument is partly correct, but not completely realistic. Since the founding of the People's Republic, the value of newly added fixed assets for our industrial and communications enterprises has reached some 400 billion yuan, and 40 percent of it was increased before 1970, with the remaining 60 percent being increased in 1971-1980. In the past 31 years, the funds provided by the state through various channels for renovation and transformation accounts for 40 percent of the total value of the present fixed assets in the industrial and communications enterprises. In other words, if the funds earmarked for renovation and transformation have been actually spent on renovation and transformation, then the fixed assets added before 1970 could have been all renewed. In 1980, the funds for renovation and transformation exceeded that of 1975 by 1.2 times, but the total industrial output value was increased by only 55 percent, and the state revenues were increased by 30.7 percent in 1975-1980. Therefore, if the funds for the renovation and transformation of the fixed assets of enterprises are fruitfully used, the trades with excessively low rates of depreciation can have them gradually increased. At present, our main efforts should be directed at the use of depreciation funds for renovation and transformation.

"The equipment left behind by the large enterprises after renovation can be sold to the small enterprises, and the equipment from the same source in cities can be given to the countryside. In this way, there will be some source of income for renovation." "The service life of equipment can be prolonged so as to reduce the pressure from the shortage of funds for renovation." These views are well intentioned. These methods have been tried out in the past, but we suffered loss. The reason is that backward equipment consumes more energy and raw materials, and the goods produced are of poor quality. Competition by the backward with the advanced will results in a more acute shortage of energy and raw materials. On the whole, therefore, it is still unprofitable.

"If depreciation funds are deposited in the Construction Bank, the deposits in the People's Bank will be reduced, and this may adversely affect the balance of its credit receipts and payments." This kind of worry is unnecessary. If the depreciation funds are deposited in the Construction Bank in special accounts, the amount used each year should be in accordance with state plans and arrangements, and the surplus is to be deposited by the Construction Bank in the People's Bank. This system will not affect the total amount of deposits in the People's Bank and even less disturb its balance of credit receipts and payments. The benefit gained is that the use of depreciation funds on the renovation and transformation of fixed assets can be guaranteed, and, as a result, the national economy can be more rapidly developed.

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## FINANCE AND BANKING

### STRENGTHENING EXPORT EARNINGS MANAGEMENT NEEDED

Shanghai SHIJIE JINGJI DAobao in Chinese 14 Jun 82 p 9

[Article by Lu Baoyuan [7120 1405 0337] and Cao Hongbing [2580 1347 3521] of the Nanchang Branch of the Bank of China: "Prevent Foreign Trade Debts and Strengthen Management of Export Earnings:"]

[Text] We recently conducted a survey of the foreign accounts receivable of the Jiangxi Foreign Trade Import-Export Branch companies and discovered that at the end 1981, the companies' foreign accounts receivable amounted to about 10 percent of the total earnings for the year. Over 29 percent of them are overdue accounts. This year, this trend has continued to increase and the proportion has risen to over 34 percent; the average time overdue has reached 120 days, with the longest being more than 400 days.

According to our survey the main reasons why foreigners are behind in repaying our trading companies' loans are: (1) the foreign company is badly managed and their credit is poor; (2) we have violated a clause in the letter of credit which has influenced prompt and safe payment; (3) unsecured agent collections have increased, and earnings are not guaranteed; (4) the work of personnel in our trading companies and banks is muddled and paperwork is piling up.

Not being able to collect overdue debts actually allows foreigners to use our funds to do business. This not only has an impact on the capital turn-around of our trading companies and increases the credit circulation of the banks, but also has an impact on the state's export income and is injurious to China's economic rights and interests. If we calculate a debt of \$10 million owed by a foreign company for 120 days, our trading company will have to pay over 670,000 yuan in domestic loan interest and the state will lose over \$500,000 in foreign exchange interest.

To change this situation rapidly, we propose: (1) relevant departments responsible make export income a major assessment norm for trading companies and change the past tendency to stress only exports and not bother with receipts; (2) trading companies and banks should cooperate closely and strengthen management of export earnings both to adopt appropriate account closing methods and to appoint specialists to handle earning accounting and collections; (3) fully develop credit leverage so that all overdue debts are converted to special accounts which must be repaid within a set time will have interest added according to the loan stipulations.

## FINANCE AND BANKING

### BANKS URGED TO LOOK AT OVERALL SITUATION IN HANDLING LOANS

Shanghai SHIJIE JINGJI DAOBAO in Chinese 14 Jun 82 p 9

[Article: "In Discussing Working Capital Zhao Renan Says: Banks Must Look at the Overall Situation in Handling Funds' Volume of Funds in Use and Turn-around Time Should Take Into Account Macroeconomic Results; Some Neighborhood and Commune Industries Recklessly Increase Goods Which Do Not Sell and Waste Money"]

[Text] Zhao Renan [6392 1804 1344], deputy director of the Shanghai branch of the Bank of China recently told a Finance Science Exchange Meeting of the Six Provinces and One City of East China that banking should pay attention to macroeconomic results. In credit and working funds, the way effectively to develop economic leverage is to improve economic results, consider overall and long-range interests and not just look at local and immediate results.

Zhao Renan said that we are socialist banks and that all the country's funds are concentrated in banks. The funds are to be used to develop socialist construction and thus used in accordance with the key emphases of the state plan and are not just given to anyone and to rush headlong into action.

He said: In using funds, banks can shorten loan periods or lengthen them and can also make some investments; if this is all banks do with working capital they cannot use economic leverage well. The application of working capital now generally uses most of it with slow turnaround and small results. But some specific situations also should be analyzed concretely. Why does Shanghai dominate capital? One reason is that last year commercial purchases piled up, and another is that more goods were produced which have not yet been shipped so they are temporarily warehoused. Some of this excess production is to meet the needs of the people and this is as it should be. As far as foreign trade exports are concerned, because they have no capital they rely on bank loans to do business, so Shanghai's foreign trade sections' loans amount to several billions. Due to changes in the international market, some goods are priced too low to be exported, so, to avoid loss, they can only be stockpiled temporarily. Therefore, monopolizing much of the funds and stockpiling of goods should also be analyzed in terms of specifics in view of macroeconomic results and cannot be lumped together.

He said: Through credit, banks should support commune and brigade industries which produce goods needed by their local rural areas. But urban factories



produce some goods in quantity and of goods quality so commune and brigade enterprises need not make them. Otherwise the commune industries will lose capital and in the future, in repaying the loan, loan repayment might really be termed China's "special product." Commune and brigade enterprises in the Shanghai suburbs are now engaged in washing machines, electric fans, and radios, and the waste of funds is serious. At present the income of peasants is increasing, but if in the future goods become more plentiful and prices drop, income will drop and peasants will be dissatisfied. In Shanghai, the banks feel that they cannot provide loans for commerce and brigade industries to expand recklessly, but agricultural sections demand loans. In actuality this is a suicidal policy. To develop in all directions comes into conflict with the state plan. Banking cannot fall into the circle of local interests, but should support the entire interests of the state plan from the perspective of the overall situation. This problem also exists in Shanghai itself. Neighborhoods also produce radios: There are now 80 or 90 radio factories in the city. In the past there were major benefits so they went in for it in a big way. Now the goods can't be sold, but they still cannot give up their projects. Of course, bank cadres are in a tight spot: if they don't give a loan, then there is pressure and this requires that they have the fearless spirit to uphold the truth.

He said: When bank trust sections issue a loan, it must be part of the credit plan. It is dangerous to break up the plan. The People's Bank, Bank of China, Agricultural Bank, and Construction Bank are all engaged in trust work now, and to go on this way may lead to problems and this merits consideration.

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FINANCE AND BANKING

SEMIANNUAL INDUSTRIAL-COMMERCIAL TAX PLAN OVERFULFILLED IN GANSU

Lanzhou GANSU RIBAO in Chinese 14 Jul 92 p 1

[Article by Zhou Lufang [0919 6922 5364]: "Industrial and Commercial Tax Plan for First Half of this Year Overfulfilled in the Province"]

[Text] In the first half of this year, 52.94 percent of the provincial plan and 50.82 percent of the plan of the Ministry of Finance for industrial and commercial taxes for the whole year was fulfilled. The total collection was more than that of the same period last year by 11.18 percent, and the rate of increase was more than that of the output value. Thus the semi-annual plans were overfulfilled in terms of time and tasks.

In the first half of this year, the task of tax collection was fairly well completed. On the one hand, it shows that under the leadership of the party and government departments at various levels, our industrial and communications front has achieved the expected success in reorganization and in the improvement of economic results. The upswing in the output of taxable heavy industrial products has in particular laid the material foundation of taxation. On the other hand, it shows the achievements of our taxation departments at various levels in conscientiously implementing the spirit of the State Council's notice concerning centralized management in strengthening the work of taxation in its role as a lever in the national economy. This policy has further aroused the enthusiasm of the broad masses of tax cadres in the collection and management of taxation.

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CSO: 4006/613

## FINANCE AND BANKING

### SOURCES OF FUNDS FOR TECHNICAL TRANSFORMATION EXPLORED

Guangzhou NANFANG RIBAO in Chinese 16 Aug 82 p 4

[Article by Li Chunhong [2621 2504 3163]: "On Exploring the Sources of Funds for Technical Transformation"]

[Text] Technical transformation for enterprises and intensive expansion of reproduction are an important measure to improve economic results. However, technical transformation is now hampered in some enterprises which have problems with the sources of funds for this purpose.

In our province, there are three causes for the problem of funds for technical transformation. First, the problem of finance. The central government is now holding our province responsible for its own finances, and our province is, in turn, holding the various municipalities and counties responsible for their own finances. Because of the financial difficulties in the past several years, the state has practically no fund allocation for our technical transformation. According to the statistics compiled by the provincial machinery department, state allocations for this purpose in 1979-1981 were less than one-third of the annual allocations before 1978. Since their financial responsibility is quite heavy, the municipalities and counties are unable to spend much on technical transformation. Second, the problem of bank loans. The interest rates for bank loans are "unreasonably identical." Furthermore, it is stipulated that the enterprises must first use their profits to repay their loans with interests before retaining any share of the profits. This will inevitably reduce the enterprises' immediate benefits. They can only manage to keep their profits from being reduced, or to increase them only slightly, and would willingly become "old oxen dragging a rickety cart" instead of applying for loans to carry out technical transformation. Third, the problem with the use of depreciation funds and retained profits. Only a small portion of these funds and profits can be used for developing production, and even such a small amount of production development funds are used by many different parties. Therefore, no useful purpose can be served.

How can we solve the problems of the sources of funds for technical transformation under the existing financial system? Practice has proved that it is impractical to take the old road of relying on financial allocation. Therefore, the following tentative methods may be considered.

We can revise the policy of bank loans, set up short and medium-term special loans for technical transformation, appropriately lower the interest rates, and work out strict supervisory measures to ensure the special use of these special funds. Some people may worry that the grant of loans for technical transformation may lead to currency inflation and price inflation. This worry is unnecessary because first, the banks have their decisionmaking power in granting loans, and in choosing those enterprises that are eligible for loans. Thus only those projects which will be able to produce enough for the redemption of loans are to be supported; and the problem of issuing money and failing to withdraw it can be avoided. Secondly, loans for technical transformation can be redeemed within a short period. Generally, they are intended for increasing the productive capacity for goods in short supply and producing readily saleable goods. It will help expedite the withdrawal of funds for circulation and instead of giving rise to currency inflation, will provide an important means of stopping it.

Some control organs should be set up by the departments in charge specially for technical transformation, and the technical transformation projects for the affiliated enterprise should be carried out according to a unified plan. Feasibility study should be conducted by experts. Special bank accounts should be opened for depreciation funds and production development funds, so that these funds, together with the allocations in small amounts from the higher levels, can be centrally controlled. The banks will grant loans in order of urgency and the amounts of loans will be based on the scopes of the undertakings. Contracts will then be signed with the enterprises stipulating how the funds will be used and returned, and a certain amount (not necessarily the whole required amount) will be loaned to the enterprises in accordance with the contracts. The borrowing party must pay interests to the lending party, and the rates of interest can be determined through discussion by both parties. The merits of the system of unified control and reimbursible financial support are as follows: 1) It will change the former method "sprinkling pepper" in the use of technical transformation funds, so that the limited funds can be used to the best advantage. This will ensure the smooth progress of the key and urgent technical transformation projects. 2) Overall planning can be worked out for the entire trade, thus preventing duplicate transformation from indiscriminate commitments and improving the economic results of technical transformation for the whole trade. 3) The departments in charge will be able to accumulate a certain amount of funds every year to be used for technical transformation in the following year.

A system of credit sales can be adopted. Generally speaking, technical transformation in enterprises consists of two parts: first, technical transformation for the departments using the technical equipment, such as the light industry departments; and second, technical transformation for the other sectors of the national economy providing the technical equipment, such as the machinery industry departments. In the past several years, when we were carrying out the economic readjustment, the productive capacity of some branches of heavy industry was used for serving light industry. However, since the light industry departments were short of funds and was unable to purchase the required technical equipment, their technical transformation could not be carried out smoothly, and the market for heavy industrial goods could not be further expanded and these goods became overstocked. Under such conditions,

the system of credit sales should be introduced. In other words, the heavy industry departments first supply their overstocked, but serviceable, technical equipment to the user departments for their technical transformation, while the user departments make a downpayment to be followed by installments when they have already derived their economic benefits resulting from the technical transformation. By this means, the user departments will be able to carry out timely technical transformation, while the departments producing the technical equipment can reduce their overstocking, expand their market, and promote their self-development. This credit sales system started in our country several years ago and have shown good results. In 1980, for example, the Shanghai Heavy Machinery Plant helped the Tonglu Cement Plant in Zhejiang Province in technical transformation, and the required equipment cost 1.5 million yuan. Since the cement plant did not have enough money, 500,000 yuan out of this amount had to be paid in installments. It was mutually agreed that the installments had to be paid out of the profits obtained after the commissioning of the project. Forty percent of the remaining amount was paid this year, with the remaining 60 percent to be paid next year. Both parties are satisfied with their gains.

Technical transformation of the departments producing technical equipment deserves special attention, particularly when it concerns the machine tools. Improvement in the technology of the departments producing the equipment has a direct bearing on the improvement of technology for the entire national economy. To the department using the equipment, the department producing the equipment is the selling party. However, granting loans to the department producing the equipment is also a form of credit transaction. A combination of the advance of funds to the production department and the credit sales of equipment to the user department will not only ensure the sufficiency of special funds, but also makes it possible for technical transformation to be carried out in both departments and for the technology for the entire national economy to be upgraded through the utilization of a single loan.

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## FINANCE AND BANKING

### BRIEFS

GUANGDONG FINANCIAL REPORT--The Guangdong Provincial People's Government recently approved the Guangdong provincial financial department's report and transmitted it to various prefectures and departments, calling on them to strive to increase income and cut expenditures to ensure the fulfillment of this year's financial income tasks and to achieve a balance this year between financial income and expenditure. The provincial financial department's report says: from January to August this year, Guangdong's financial income fell short of the growth rate put forth in the budget in the beginning of this year. Expenditures increased too rapidly and the income of some localities dropped. In order to achieve this year's balance between financial income and expenditures in Guangdong, the provincial financial department's report demands that all localities strengthen leadership over financial and taxation work; take increasing economic returns as the principal standard for checking and assessing the work of various economic sectors; regard work in this respect as an important job in reorganizing enterprises; earnestly grasp work in reducing losses and increasing profits in enterprises; strictly control loans granted for capital construction; and strictly control social groups purchasing commodities from special storage and seriously fulfill tasks in purchasing state treasury bonds and handing over the money therefrom. [Text] [HK071116 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 6 Oct 82]

SHANDONG TAX INSPECTION--In order to carry out the provincial tax and financial inspection in a big way, the provincial people's government transferred some leading cadres, experts in economics and accounting and comrades familiar with finance from units under the provincial jurisdiction to organize them into seven inspection groups. Around 10 October, they will go into all localities and municipalities to conduct inspections. Before the groups' departure, Liu Peng and Liu Zhongqian, deputy governors, urged them to take the guidelines of the 12th party congress as a motive to help all localities organize forces to conduct the tax and financial inspection. They were urged to help localities to firmly handle big problems, if any are found. Efforts should be made to integrate the mass inspection with all current tasks to promote and to push forward one another in order to attend to the mass inspection. [Text] [SK091044 Jinan Shandong Provincial Service in Mandarin 2300 GMT 8 Oct 82]

CSO: 4006/42



## MINERAL RESOURCES

### INCREASED COAL OUTPUT IN STATE-CONTROLLED MINES OF SHANDONG

Jinan DAZHONG RIBAO in Chinese 2 Aug 82 p 1

[Article by Meng Guangming [1322 0342 2492]: "Good News Again About Production in State-Controlled Coal Mines in Our Province"]

[Text] After battling with high temperature and the rainy season in striving for high output and yet ensuring safety, the state-controlled coal mines in our province have concluded their labor emulation in July and August with good results. In July the coal output was 73,000 tons above quota; that of fine washed coal was 57,000 tons above quota; and the footage of tunneling was more than 1,500 meters above quota. The safety factor was better than in last year, and the number of accidents dropped by 50 percent, compared with that of the same period last year.

In July, the provincial coal industrial bureau held in Xinwen Mining Administration Bureau a mobilization meeting calling on all the mines in the province to battle the high temperature and rainy season in striving for high output and safety. After the meeting, the leaders of the mines and bureaus were all in high spirit and went to the front line to encourage the workers to overcome the difficulties. The daily output gradually increased, and a balanced production was maintained throughout the province. There was no longer any "laxity in the first 10 days, struggle in the second 10 days, and desperate efforts in the last 10 days." All the mines under the Feichang Mining Administration Bureau carefully analyzed the favorable as well as unfavorable conditions in July's production, and started a campaign for safety and quality. In July, they produced more than 43,000 tons of coal above quota with a good safety record. After increasing its output by a wide margin in the first half of the year, the Xinwen Mining Administration Bureau followed up its victories by striving for new success: the units under unfavorable conditions made every effort to overcome the difficulties, while those under favorable conditions tried to exceed their production quotas by even wider margins. The bureau's output was 36,000 tons above quota.

During their struggles in July and August, all the bureaus and mines paid great attention to the overall situation. They kept the difficult tasks for themselves and provided facilities to others. Their intention was to



produce more and contribute more to the fulfillment of the overall production plan. In July, the Yangzhou Mining Administration Bureau had to move one of its comprehensive mining units to a new location. This move would cause a reduction of 40,000-50,000 tons in output. Because of this difficulty, the first comprehensive mining team of Nantun Mining Administration Bureau increased its work shifts and footage of tunneling, and produced more than 60,000 tons of coal, with which to make up the loss caused by the moving of equipment. The mines in Xinglongzhuang, Beisu and Tangquan, in their fine gesture, made extra efforts to increase their above-quota output to make up other mines' shortage. The Xinglongzhuang Coal Mine had an increased output of more than 13,000 tons in July, and helped the whole bureau to overfulfill its July production plan.

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## MINERAL RESOURCES

### BRIEFS

JIANGSU COAL PRODUCTION INCREASED--Up to zero hour yesterday, the coal mines in the province produced a total of more than 1,326,000 tons of coal, being 47,000 tons over the planned figure, in the month of July. The tunneling plan was also overfulfilled by 17.5 percent. There were days of torrential rains in the middle of July, posing a serious threat to coal production. Many leading cadres of the mines and mining administration bureaus went to the forefront to combat the flood and to direct rescue work. They joined the workers in piling up sandbags at the entrances of mine shafts, erecting cement walls, and cutting drainage ditches to keep the mines safe. Through the united efforts of the workers and staff members, the tasks of coal production for July was successfully completed. [Text] [Nanjing XINHUA RIBAO in Chinese 2 Aug 82 p 1] 9411

JILIN COAL PRODUCTION--As of 27 September, collieries whose products are distributed under unified state plan in Jilin Province had overfulfilled their production plan by 19,000 tons. They had prefulfilled by 8 days their production plan for the first three quarters of this year. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 30 Sep 82 SK]

CSO: 4006/42

## DOMESTIC TRADE

### GANSU'S ECONOMIC COOPERATION WITH OTHER PROVINCES REPORTED

Lanzhou GANSU RIBAO in Chinese 24 Jul 82 p 1

[Article: "Learn From Advanced Regions for Better Economic Cooperation; Four Economic and Technical Cooperation Agreements Signed with Sichuan, Yunnan and Henan Provinces"]

[Text] In response to the call of the provincial party committee and the provincial government for learning from the advanced regions in order to carry out more effective economic and technical cooperation, the provincial government's economic study and investigation group lead by Governor Li Dengying [2621 4098 3467] visited Sichuan, Yunnan and Henan provinces not long ago and, after separate discussions, signed agreements of economic, technical and material cooperation with them.

On its visits to the three provinces, the study and investigation group of our province saw the operation of 30 enterprises engaging in metallurgy, chemical industry, machinery, military industry, textile industry, plastic industry, leather-making, food processing, arts and crafts, and the production of articles for the national minorities. The group members also visited four agricultural-industrial-commercial integrated enterprises in Qionglai County and Chongqing Municipality of Sichuan Province and studied the systems of market supply and municipal construction in all the three provinces. Furthermore, they made special efforts to learn from the methods used by the provinces in organizing integration in economic work in coordination with the current readjustment and using integration and reorganization as a means of developing their business; in forming experimental integrated agricultural-industrial-commercial enterprises in order to blaze a new trail for developing the rural economy; and in producing highly competitive products by bringing into play their own strong points. They also tried to learn how the leaders personally attended to the reorganization of enterprises; how these leaders ran the enterprises through diligence and frugality so that even poor plants can produce brand name goods and small plants can make big profits; how they developed local industry and collective economy, and solved the problem of employment in the cities by developing production; and how they concentrated their efforts on economic work so that people at all levels would work with one heart in promoting the in-depth development of restructuring.

On the basis of study and investigation and in accordance with the principle of equality and mutual benefits and supplying to one another's needs with a view to common development, the study and investigation have on different occasions discussed and signed four agreements for economic, technical and material cooperation with Sichuan Province, Chongqing Municipality, Yunnan Province and Henan Province. The economic and technical cooperation covered 35 projects, and the material cooperation covered more than 10 projects, all mainly based on the strong points of our province in energy and material resources, our weaknesses in technology and other realities; and motivated by our desire to with the support and assistance of our fraternal provinces. For example, Sichuan Province helped us solve the technical problems with white cement, cystine and transparent paper production, and the technology of flavoring in brewery and of manufacturing leather, besides helping us train cooks and brewery personnel. Yunnan Provinces provided our province with food, tobacco and spices and helped us solve the problems of flavoring and train flavoring technicians. In return, our province helped Yunnan Province develop fine breeds of sheep. Henan Province provided technician guidance to our small paper mills, plastic trade, and the enterprises using steel in place of wood for the manufacture of furniture, and helped them increase more new varieties. In return, our province helped Henan Province carry out the construction of oil refineries. Our province has also formed relations with these three provinces and Chongqing Municipality of long-term economic, technical and material cooperation, including the exchange of economic, technical and market information regularly or sporadically. Efforts will be made to strengthen these relations in order to promote the common economic development.

Since the return of the group and its report to the provincial party committee and the provincial government, the provincial planning commission has taken the lead in working on the projects.

9411

CSO: 4006/622

## DOMESTIC TRADE

### INCREASED SALES OF DURABLE GOODS IN YUNNAN RURAL AREAS

Kunming YUNNAN RIBAO in Chinese 26 Jul 82 p 1

[Article by Zan Tianyou [2501 1131 0147]: "Sales of Durable Consumer Goods Increased in Our Countryside in First Half of This Year"]

[Text] The sales of consumer goods by the supply and marketing departments in our province continues to increase in the first half of this year, following the increase last year.

In the first half month, the volume of retail sales by the supply and marketing departments was more than 589 million yuan, an increase of 9.6 percent over that of the same period last year. One salient feature in the sale of the means of subsistence is that, in addition to their demand for more and better goods, the peasants are now holding their money to make their choice, because they want to buy only the famous brands that are attractive in appearance and are urgently needed. Sales of high-grade and medium-grade consumer goods have been markedly increased. According to statistics in the first half of this year, the sales of transistor radios totaled more than 85,100 sets, an increase of 34.5 percent; that of bicycles totaled more than 29,100, an increase of 20.9 percent; and that of sewing machines, totaled more than 47,700, an increase of 36 percent over the same period year. From January to May, the number of wrist watches sold was more than 74,900, an increase of 149.6 percent over the same period last year.

This change in the rural market in our province shows the correctness of the principles and policies laid down by the Third Plenary Session of the 11th Central Committee and reflects the new prosperity in our rural market.

9411

CSO: 4006/622

## DOMESTIC TRADE

### BRISK MARKET IN URBAN, RURAL AREAS OF FUJIAN DESCRIBED

Fuzhou FUJIAN RIBAO in Chinese 24 Jul 82 p 1

[Article by Ji Huachu [1213 5478 0443]: "Enlivened Urban and Rural Market, Improved Relation Between Supply and Demand"]

[Text] Along with the development of industrial and agricultural production and the increase in income for the urban and rural population in the province, the market has become brisk and the relation between supply and demand has been further improved.

1. The volume of retail sales has continued to increase. In the first half of this year, the volume of retail sales has increased over the same period last year by 8.9 percent. The disparity between purchasing power and the volume of retail sales has been markedly reduced. The amount of currency withdrawn from circulation has also increased, and by the end of June, the currency in circulation was less than at the beginning of this year.

2. The volume of sales through various channels is also increased. Compared with the same period last year, sales in state-run commerce were increased by 7.96 percent; sales by the industrial departments themselves were increased by 29.75 percent; and sales by collective and individual commerce were increased by 42 percent. The value of goods supplied by the commercial departments to collective and individual commerce were increased by 62 percent and 2.76 percent respectively in the first half of this year, compared with the same period last year.

3. The supply of industrial consumer goods has been fairly greatly increased. Tobacco and liquor are not abundant, and the vast majority of varieties are adequate to meet the demand. In the first half of this year, the sales of articles for wearing and daily use were increased by 11 percent, compared with the same period last year. Since the reduction of prices, the sales of dacron and chemical fiber fabrics have increased by 15 percent and 21 percent respectively. Sales of woolen yarn and silk were up by approximately 32 percent, and those of laundry powder, thermos jars and bedsheets were up by 16-24 percent. Because of the increased sources of goods, the supply of durable consumer goods of high value has also been increased. Sales of sewing machines went up by 49.6 percent; bicycles, by 38.2 percent; wrist watches, by 38.7 percent; and TV sets, by 61.5



percent. Because of the further readjustment in the structure of industrial production, the quicker returns of capital construction investments and the increase in residential housing, the sales of construction hardwares, household electric appliances and tools have shown an upswing. For example, the sales of bolts, hinges, spring locks, screws, parts made of galvanized iron, iron wires, copper wires, indoor electric wires, ballasts, fluorescent tubes, bakelite materials and so forth, increased by 10-30 percent.

4. The supply of durable consumer goods of high value, which were in short supply on the rural market, has been increased by a wide margin. The commercial departments alone supplied to the rural supply and marketing cooperatives 90,900 sewing machines, an increase of 39,400, or 76.6 percent increase; 73,400 bicycles, and increase of 25,000 or a 51.5 percent increase; and 164,100 wrist watches, an increase of 49,700 or a 43.4 percent increase. The increase in the supply of these commodities to the countryside was more than the increase in their sales in the cities.

5. The volume of transaction in the country fairs throughout the province in the first half of this year was increased by 21.7 percent over that of the same period last year. These transactions have helped make up the shortage in the supply of nonstaple foodstuffs by state-run commerce besides promoting the exchange of material supplies between the rural and urban areas.

The relation between supply and demand has been improved, but that are still some problems, mainly because the plans for the procurement of pigs, maritime products, and other nonstaple foodstuffs were not satisfactorily completed, thus causing their short supply on the market. The prices at the country fairs have also gone up in varying degrees, while the channels for supplying industrial products to the countryside are not wide open enough. In the first half of this year, the industrial products supply by the commercial departments to the rural supply and marketing cooperatives were increased by only 0.8 percent, compared with the same period last year.

9411

CSO: 4006/616

## DOMESTIC TRADE

### SUPPLY OF INDUSTRIAL PRODUCTS IN RURAL AREAS CONSIDERED INADEQUATE

Shijiazhuang HEBEI RIBAO in Chinese 20 Jul 82 p 1

[Article by Liu Yongzhong [4691 5057 0022]: "Some Thoughts on Increasing the Supply of Industrial Products in the Countryside"]

[Text] Since the Third Plenary Session of the 11th Party Central Committee, the commercial departments and the supply and marketing cooperatives in our province have done a great deal of work to meet the new requirements from the rapid development of agricultural production and the increase in purchasing power in the countryside by organizing the supply of industrial goods to promote the exchange of materials between the urban and rural areas and to develop the excellent situation in the countryside. As we can see now, however, the channels of supply are not quite wide open, and the industrial products available in the countryside are few and of poor quality. Many peasants are still keeping their money and waiting for the opportunity of purchasing. There are many causes for this situation, but, as far as our commercial work is concerned, the main cause is "bureaucratic commerce," or the lack of affection for the broad mass of workers, peasants and soldiers.

These defects are reflected in commercial wholesales: First, irrational proportion in the distribution of industrial products between urban and rural areas. Peasants in our province account for 89.9 percent of the provincial population, but the industrial products allocated to the rural supply and marketing cooperations in 1978-1980 amounted to only 33.41 percent of the total value of commercial sales. In 1980, the allocation of bicycles and sewing machines, which were in short supply on the market, was only 34.9 percent and 48.2 percent respectively of the total source of commercial goods. There was a turn for the better in the fourth quarter of last year, but the basic problem has still not been solved. Second, poor quality of industrial products supplied to the countryside. According to a survey, the Zhongcao Supply and Marketing Cooperative in Ningjin County was allocated 26 sewing machines in 1980 and 1981. Except for four made in Shanghai, all the rest were of miscellaneous brands. The Huanmadian Supply and Marketing Cooperative in the same county was allocated 40 bicycles in 1980. Among these bicycles, there was only one each of the Feige [Flying Pigeon], Hongqi [Red Flag] and Yongjiu [Forever] brands. In 1981, the commercial departments in Fuzheng County brought in 664 bicycles of well-known brands from Tianjin and Shanghai, and only 358 of them were allocated

to the basic level supply and marketing cooperatives. Some one has composed this doggeral: "The flying pigeon and pheonix does not leave a single feather. Peasants can never buy them. Although red flags are fluttering above the doors, peasants can see only two mountains (Baishan and Yanshan)." Third, compulsory sales at the basic levels. In buying sewing machines, people must also buy washing basins and zippers; in buying bicycles, they must also buy light bulbs, sugar and cigars; in buying good wines, they must also buy bad wines. In Huolu County, the Dahe Supply and Marketing Cooperative has to take in wax, face masks, gloves and soap for obtaining one sewing machines, and the total cost of these four slow-selling products doubles that of the sewing machine. According to the statistics of the Hezhuang Supply and Marketing Cooperative in Neiqiu County, compiled at the end of May last year, there was a stockpile of 2,970 bottles of bad wine, which, if sold at the rate of 2.5 bottles per household in the commune, cannot be completely disposed of in 2 years. The practice of compulsory sales is now prevalent.

The basic-level supply and marketing cooperatives do not have a correct orientation of business, since they do not conduct any survey on the rural market. Some of them are only interested in profits, always stressing the need "to make high profits by handling large transactions" according to the principle "more profit, more work; less profit, less work; and no profit, no work." Some of them pay attention only to quick-selling goods, and are blindly procuring what they consider to be quick-selling. Thus, there is overstocking on the one hand and running out of stock on the other. Their service is seriously "bureaucratic" as though they are government offices. When the peasants toil in the fields, they sit on their chairs; when the peasants leave the fields, they close up for the day. They only sit down to wait for customers and sell whatever they have on hand. They want their jobs to be as simple as possible, and do not want many varieties of goods, so that the customers cannot have many to choose from. Because of the unhealthy tendency of the party style, commodities in short supply are sold from the back door. All these problems are obstacles in the circulation of goods and in the supply of industrial products to the countryside.

In studying and implementing the relevant documents of the State Council, our commercial workers must first bear in mind the guiding principle that agriculture is the foundation of the national economy, and clearly understand that bringing prosperity to the rural market is the key to the prosperity of the socialist unified market. We must remember Comrade Chen Yun's words: "We have a population of more than 900 million, and more than 80 percent of them are in the countryside. We must see that they have food and clothing, and that their living conditions improve every year." In accordance with this guiding thought, the commercial departments at all levels must cooperate with one another in supplying industrial products to the countryside on a priority basis. The whole-sales and retail-sales departments should also supply industrial products to the countryside in order to satisfy the wants of peasants. The basic-level supply and marketing cooperatives should serve the customers wholeheartedly, think of what the

what the peasants are thinking about, treat the urgent needs of peasants and their own urgent needs, and improve their attitude toward service as well as the quality of their service. Their business hours must suit the seasonal needs in agriculture. They should open up earlier and close up later; and should carry on business as usual during their inventories. They should also organize mobile services in the form of vendor waggons, join the country fairs and set up stalls in the villages. They should also carry out procurement, marketing and repairing in a "three-in-one combination" for the convenience of the masses in purchasing industrial products and selling their agricultural sideline products.

9411

CSO: 4006/613

## FOREIGN TRADE

### THREE PROBLEMS IN DEVELOPMENT OF FOREIGN TRADE DISCUSSED

Shanghai SHIJIE JINGJI DAOBAO in Chinese 21 Jun 82 p 13

[Article by Feng Xueyan [7458 1331 1750]: "Three Problems in Speeding Up Development of Foreign Trade"]

[Text] Guangdong's exports now make up about 20 percent of the gross value of the economy, about 8 percent above the national average. But this ratio is far lower than the proportion exports make up in the gross value of the economy in Japan, the United States, the Soviet Union and the countries of Eastern Europe. Should Guangdong's proportion be higher? Raised to what level? This is a strategic question of economic development.

From practice in recent years it can be seen that there are three problems that must be resolved to accelerate the development of foreign trade.

The first problem is that comprehensive plans must be formulated for the speed and scale of export trade development, for the structure and composition of export goods, and the harmonious development of foreign trade and domestic trade and industry. At present the biggest problems have been encountered in the development of foreign trade. In the final analysis it comes down to the fact that the export goods are not sufficiently suited to the international market, the supply volume of marketable goods is insufficient, the variety is dull, the price is very low and the ability to break into the markets of the advanced capitalist countries is low. We should start to change this situation from three angles.

First of all, through economic readjustment we should establish an economic structure of strong export ability geared to the international market.

Next, readjust the export goods structure. We should continue vigorous development of agricultural sideline goods which generate a high rate of foreign exchange. We should guarantee a volume of exports to Hong Kong and Macao. In addition, we should vigorously process imported materials into light industrial goods, actively expand construction materials and nonferrous metal goods, and strive to develop technologically intensive mechanical and electronic goods.

Finally, we should courageously utilize foreign capital to attract advanced technological equipment, reform, innovate and develop the potential of

existing productive ability, improve the labor productivity of export goods and at the same time establish a group of industrial goods which are as yet absent.

The second problem is that we must adopt further policies to encourage exports. Under present conditions, first of all the central authorities should adopt measures to support and encourage increases in exports, such as readjusting again the domestic trade prices and reducing taxes on export goods. Next, necessary funding channels for expanding export goods production should be opened, such as low interest loans, including foreign exchange loans. Next improve the existing economic accounting system for enterprises which are mainly involved in producing export goods, and provide financial supplements within a certain period of time for those whose production of new export goods leads to decreases in profits or losses.

The third problem is that import-export management must be strengthened, and a unified and allied front be presented abroad. From practical experience of the last 2 years it can be seen that management of "flexible responses and strict discipline" must be strengthened in six areas.

1. Formulation of import-export trade policy and management methods must be centralized in the province and its authorized agencies.
2. The province should have a unified import-export plan. Exports cannot be "the whole thing."
3. Units and individuals who have not received the approval of the province or its authorized agencies cannot engage in import-export trade.
4. Specialized import-export companies should strictly demarcate the scope of goods management and must not deal in other areas. In determining commodity purchase export plans, the arrangement of export allocations, import-export commodity prices, and coordination of goods management which overlaps at several ports, the province's specialized companies should exercise leadership over subordinate specialized agencies.
5. Provincial trading agencies with branches in Hong Kong and Macao should really represent the province's import-export agencies and not become another competing export outlet.
6. Development of goods and areas of small volume trade in the border area should be strictly controlled.

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CSO: 4006/585



## FOREIGN TRADE

### SHENZHEN INCREASINGLY ATTRACTING FOREIGN CAPITAL

HK050237 Guangzhou Guangdong Provincial Service in Mandarin 1100 GMT 3 Oct 82

[Text] Since July and August 1982, a new situation has occurred in the Shenzhen special economic zone in importing foreign capital. More and more foreign businessmen are coming to Shenzhen to hold trade and investment talks [words indistinct]. The number of trade and industry and communication investment items has increased, as has the actual amount of import and utilization of foreign capital. This shows that the special economic zone is increasingly attracting foreign capital.

According to [words indistinct] of developing countries of the Shenzhen special economic zone, over 90 percent of businessmen investing in the special zone come from Hong Kong. Since August, there have been some changes. The number of businessmen coming from Europe, America, Japan and Southeast Asia is increasing. Investment talks on trade, industry and communication and large projects items have also increased. A new industrial base planned by the special economic zone, a container port and (?oil base) were simultaneously put into construction. Groups from Southeast Asia, Arab countries and Africa have come to invest.

Businessmen from the United States, Canada, Australia and others participated in investing in a large tourist center. The progress of trade talks concerning suspended items has recently been accelerated. Since July and August, the actual import of foreign capital by the developing companies of Shenzhen special economic zone has also increased. For instance, the foreign capital imported (?in the first 3 months of this year) for the construction of housing and real estate has exceeded the income of all of 1981. Income from land tax has also increased by 49.5 percent over the total income of 1981. In the Jiangmi Lake Holiday Resort project jointly run by [words indistinct] the initiative of foreign businessmen is very high; they are personally taking part in directing the project to try to complete it 1 year ahead of schedule.

CSO: 4006/42

## FOREIGN TRADE

### GUANGDONG SEEKS TO DEVELOP COMPENSATION TRADE

HK110831 Beijing ZHONGGUO XINWEN SHE in Chinese 1233 GMT 10 Oct 82

[Report: "Guangdong Adopts Flexible Measures To Vigorously Develop Compensation Trade"]

[Text] Guangdong Province has made new arrangements in its work of processing materials and assembling spare parts for foreign enterprises as well as for compensation trade. Vigorous efforts will be made to develop compensation trade and emphasis will be placed on strengthening and improving the work of processing materials and assembling spare parts for foreign enterprises.

A meeting to exchange experience in these fields, which was held in Dongguan County for 5 days, ended today. Attending the meeting were more than 120 people, including leaders of the provincial commission for foreign economic relations and those who are in charge of foreign trade in various localities. The meeting studied the problem of how to create a new situation in the compensation trade, considering that this work should be linked with stepping up technical transformation of the existing old enterprises. The province is now trying to work out plans for improving the technology of the existing old enterprises. It is understood that a good number of foreign businessmen are interested in this endeavor.

Guangdong Province will actively make use of foreign funds and develop the compensation trade in exploiting its rich mineral resources so as to allow the export of more mineral products. It will also import advanced technology and equipment so that it will be able to export manufactured goods and highly finished products instead of raw materials of minerals. To this end, the province will adopt flexible measures in the compensation trade, which include multilateral compensation, or else comprehensive compensation which should be approved by the higher authorities.

In order to improve the work of foreign economic relations and strengthen the successes achieved, Guangdong Province will seriously straighten out the factories for processing materials and assembling spare parts for foreign businessmen, and in particular those factories which performed unsatisfactorily. Control will be tightened over management. Efforts will be made to abide by

contracts and promises and to ensure punctual delivery in good quality and fixed quantity, with a view to improving quality and technical levels and winning a high reputation. Meanwhile, more advanced technology and equipment will be imported to facilitate enterprises in urban areas so as to expand the business of processing materials and assembling spare parts for foreign businessmen. At present, two-thirds of counties and municipalities in Guangdong are developing the business of processing, assembling and the compensation trade. The development tendencies are promising. By the end of June, the province had made more than 16,000 contracts with foreign businessmen for processing materials and assembling spare parts, in addition to 185 contracts for compensation trade, involving a total of \$71.9 million of foreign funds.

CSO: 4006/42

## FOREIGN TRADE

### MEASURES TO ELIMINATE FOREIGN TRADE LOSSES STUDIED

Guangzhou GUANGZHOU RIBAO in Chinese 19 Aug 82 p 4

[Article by Zhang Changcai [1728 7022 2088]: "Can We Import Durable Consumer Goods as a Means of Eliminating Foreign Trade Loss?"]

[Text] The state's regulations restricting the importation of more than 10 different durable consumer goods should be of great significance in promoting the development of our industrial production and accelerating the accomplishment of the four modernizations.

However, some people believe that large-scale importation of durable consumer goods would be a good means of eliminating foreign trade losses and withdrawing currency from circulation. In fact, relying on profits from the sales of imported goods on the home market as a means of eliminating foreign trade losses and withdrawing currency from circulation can only be a temporary expedient. In the long run, the following measures should be taken to prevent foreign trade losses.

First, we should change the product mix for exports and vigorously develop the export of processed industrial products. At present, the composition of our exported goods is rather backward. According to the statistics of 1977, of the total volume of our exports, agricultural sideline products accounted for 35 percent; light industrial products, 39 percent; and heavy industrial goods, 26 percent. These heavy industrial goods consisted mainly of primary industrial and mineral products, or basically raw materials. Our machinery exports amounted to only 2.5 percent of the total exports, and only 0.7 percent of the total volume of machinery transactions in the world. In other countries where foreign trade has rapidly developed, great importance is attached to the product mix for exports--a gradual change from the export of primary products to the export of upgraded light industrial, heavy industrial and chemical industrial products. In Japan, for example, its product mix for exports in 1960 was that, of the total export volume, light industrial products accounted for 47.2, while heavy industrial and chemical industrial products accounted for 44.2 percent, including 25.6 percent of machinery. In 1977, heavy industrial and chemical industrial products accounted for 85.4 percent, including 62.3 percent of machinery; while light industrial products accounted for only 12.6 percent of the total volume of exports. We must learn from Japan by vigorously developing the exports of processed products. For example, if the crude oil

exported by us can be processed into gasoline, petroleum or diesel oil, its price can be increased three-fold; and if it can be processed into petrochemical industrial products for comprehensive utilization, its price can be increased eight-fold. In other words, by exporting the petrochemical industrial products made of 1 ton of crude oil, we can obtain a price equivalent to that of 8 tons of exported crude oil. That is why a change in the product mix for export can help us turn our foreign trade losses into profits.

Secondly, we should carefully set up our production bases, special plants and special workshops for export commodities. Practice in the past several years has shown that setting up production bases for export commodities is an effective measure for developing our exports. This will help to improve the quality and increase the designs and varieties of goods for export in adapting to the demands on the international market, and also to develop famous brands and "highly competitive commodities" in order to increase our competitive power on the international market. To develop the production of commodities for export and to provide more sources of easily saleable goods, we must carefully manage comprehensive production bases, special commodity production bases, special plants and special workshops in various localities, and see to it that these enterprises and units are supplied with special loans, short-term foreign exchange loans, production investments, trial production funds and so forth to be used for the production of commodities for export. At the same time, suitable measures should be taken to set up bases for the production of special minor commodities with local characteristics.

Thirdly, both exports and imports should be restricted if the goods may bring heavy losses. All imported products that may bring losses should be arranged in the order of priority, and the imports of those items which bring heavy losses should be minimized, so as to reduce our losses. Of course, in reducing imports, considerations should be given to the balance of materials at home. At the same time, we are incurring losses in the exports of many commodities, even though they are in short supply on the home market. If these commodities are kept for home consumption, they can help us withdraw currency from circulation and would yield better economic results than they would from exports. In controlling exports, of course, we have to be aware that certain goods are in excessive supply and that the reduction of their exports would add to the difficulties of the production departments. This will call for efforts in increasing the adaptability of our products for sales abroad and in lowering the production costs.

Fourthly, business management should be improved and strengthened. In order to control the prices of commodities for export, people must not be allowed to compete with one another by procuring the goods at increased prices and selling them at reduced prices. There should be a strong, centralized leadership and united action in dealing with foreigners. After due investigations and study, we should keep the prices at a reasonable level so as to minimize our foreign exchange losses resulting from irrational pricing. Overstocking must be reduced. Above quota-procurement should be stopped if the goods are not selling well, and substandard goods should not be procured. We should take a careful inventory of our stock on hand, and make full use of the readily marketable goods to expand our exports. Those goods which cannot be

exported should be disposed of on the home market, but control over domestic sales must be strengthened so as to reduce losses from this source. Furthermore, in the use of funds on various expenditures, we should carry out meticulous calculations and strict budgeting and pay attention to the practice of economy.

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CSO: 4006/640



## FOREIGN TRADE

### BRIEFS

**GUIZHOU PROMOTES FOREIGN TRADE**--According to GUIZHOU RIBAO, Guizhou Province has established trade relations with more than 20 countries and regions throughout the world. The province's total value of export commodities purchased in 1979 increased by 39.5 percent compared with 1978. The province's total value of export commodities purchased in 1980 increased by 8.6 percent compared with 1979. Industrial and mineral products accounted for 44.7 percent of the province's export commodities purchased in 1979. Industrial and mineral products accounted for 61.6 percent of the province's export commodities purchased in 1980. In 1981, the province registered a notable increase in the export of agricultural and sideline products. However, industrial and mineral products still accounted for 59.7 percent of the province's export commodities purchased in 1981. The province began to do its own export business on a trial basis in 1978 and further expanded its self-managed export business in 1981. During the 1978-1981 period, its foreign exchange earnings from its export business increased by 770 percent. At present, the province's self-managed export value accounts for more than 50 percent of the total value of export commodities purchased in the province. Products of Guizhou Province have been sold to 23 countries and regions. [HK060819 Guiyang Guizhou Provincial Service in Mandarin 2315 GMT 5 Oct 82 HK]

**HEILONGJIANG EXPORT**--Compared with the corresponding 1981 period, Heilongjiang Province increased its export volume by 42.3 percent from January to August. In addition to exporting to Hong Kong, Macao, Japan and some southeast countries, the province has expanded the export to Europe, North America, Oceania and Africa. Greater increases were made in the export of antler, canned food, graphite, paraffin, farm tools, blankets, pencils, polyester-cotton cloth, honey and bearings. [SK040222 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 30 Sep 82 SK]

**GANSU FOREIGN TRADE**--Gansu Province has scored great achievements in foreign trade since the 3d plenum of the 11th Party Central Committee. In 1981 the sum of commodities procured in the province for export amounted to 200 million yuan and more than \$4.33 million yuan of foreign exchange were earned from export, a record high. Now the province's products are exporting to Hong Kong, Macao, Japan, Southeast Asia, West Germany, the United States and the Middle East. [SK060025 Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 3 Oct 82 SK]

FUJIAN OVERSEAS REMITTANCE UPSWING--Following the implementation of the central government's instruction on restricting the circulation of foreign exchange certificates and the improvement of material supplies for purchases with money remitted by overseas Chinese, there has been a marked upswing in overseas remittances in the province. In June and July, the remittances were increased by 30 percent and 38 percent respectively compared with the same months last year. Fujian is a key overseas region of the country, and overseas remittances here occupy an important place in local revenues. Inspired by the Third Plenary Session of the 11th Party Central Committee, overseas compatriots are more concerned for the motherland's economic construction and overseas remittances have increased every year. Since 1981, however, "substituting goods for remittance," "substituting currency for remittance," smuggling and illegal transfers of money have brought about a reduction of remittances. Since the second quarter of this year, the province conscientiously carried out the central government's directives on overseas remittances, and the relevant departments have taken good care of material supplies, and further cracked down on coastal smuggling and other illegal activities. Remittances have again increased. In Jinjiang and Xiamen, remittances in June increased by 73 percent and 56 percent over the same month last year. [Text] [Fuzhou Fujian Ribao in Chinese 17 Aug 82 p 1] 9411

CSO: 4006/640

## GENERAL

### TEN CHANGES IN GUANGDONG ECONOMY NOTED

Shanghai SHIJIE JINGJI DAOBAO in Chinese 21 Jun 82 p 12

[Article: "Ten Big Changes in the Guangdong Economy"]

[Text] Since Guangdong implemented the economic policy of being more liberal toward foreigners and more active at home, there have been 10 clear changes in the province's economy.

1. The rate of increase in industrial production has been rapid. The gross value of industrial output for 1981 increased 10.6 percent over the previous year, 25.9 percent over 1978 and averaged 8 percent over the 3 years.
2. Overall development of agricultural production. The gross value of agricultural production in 1981 increased 5.5 percent over the previous year, 18.6 percent over 1978, an average of 5.8 percent over 3 years.
3. The economic system has been readjusted. The value of light industry production increased as a proportion of the gross value of industrial production. In 1981 it was 65.2 percent, an increase of 7.75 percent over 1978. The 3-year increase in the value of production was 4.9 billion yuan, an increase of 42.9 percent. The production direction of heavy industry was readjusted to serve light industry, the market, and export trade. Gross value of production in 1981 increase 1.5 percent. In agriculture the production arrangements were readjusted: the value of production of forestry, animal husbandry, sideline production and fisheries, as a proportion of gross value of agricultural production in 1981 was 42.5 percent, an increase of 6.3 percent over 1978. The gross income of commune and brigade enterprises increased 28.3 percent. In capital construction, investment priorities were readjusted. The proportion of nonproductive investment increased from 19.1 percent in 1978 to 43.6 percent in 1981 and made up for some debts in urban construction, housing, and cultural, educational, and public health construction.
4. Supply of goods. The total volume of purchases and sales increased 16 percent and 16.8 percent respectively over the previous year, and increased more than 50 percent over 1978. The volume of retail sales of social goods increased 18.9 percent over the previous year and increased 63 percent over 1978, a 3-year average of 17.7 percent (the previous 3-year average was 6.3 percent). The volume of goods shipped out of the province increased over 3 years an average of 16.1 percent.

5. Revenue and expenditures were balanced after funds were transferred upward to the state. 1981 revenue increased 8.9 percent over the previous year. After handing over the state's share, making state transfers, paying off loans, and buying treasury bonds, there was an increase of over 300 million yuan over 1978.

6. There were big increases in foreign trade purchases and exports from Guangdong ports in 1981 was 4.12 billion yuan, an 8.2 percent increase over the previous year. This includes a gross value of goods originating in Guangdong of 3.9 billion yuan, a 22.4 percent increase over the previous year and a 1.16-fold increase over 1978. Among these goods, heavy industrial goods increased 25.4 percent over the previous year; textiles and light industrial goods increased 20.4 percent over the previous year.

7. Foreign economic cooperation is beginning to develop. In 1981, 6,853 contracts were signed for foreign processing and assembly, compensatory trade, cooperative ventures and jointly capitalized ventures, an increase of 21.4 percent over the previous year. The actual foreign capital attracted, converted to RMB was 580 million yuan, a 1.5-fold increase over the previous year. This includes 6,563 contracts for processing and assembly, for a bank foreign exchange income equivalent to 210 million yuan RMB, a 68 percent increase over the previous year. Over 70,000 pieces of equipment have already been supplied. Over 220,000 persons have been employed.

8. There has been a big expansion in foreign contacts and tourism. The number of people crossing the border has increased yearly. In 1981 there were over 7, million people who entered China through Guangdong ports as tourists, observers, to visit family and friends and foreigners, overseas Chinese, and compatriots from Hong Kong and Macao who entered for trade, scientific, cultural, or sports activities. This is an increase of 34.9 percent over the previous year. This year's foreign exchange income was 160 yuan in RMB, an 88 percent increase over the previous year and a more than 6-fold increase over 1978.

9. There has been an improvement in the people's standard of living. In 1981 the total of employee wages was 5,156,000,000 yuan, an increase of 710 million yuan over the previous year, or an increase of 14.7 percent. The income of commune members in rural people's communes increased a great deal. According to statistics for 24 of the province's counties, the average annual net production income per person (including labor service income) was 290 yuan, an increase of 20.3 percent over the previous year. Over the 3 years the number of unemployed and other persons placed in jobs was 1,337,000. New city and town residential construction increased 13.83 million square meters over the 3 years. There was a big increase in rural residences; according to incomplete figures, last year it was over 40 million square meters. At the end of 1981 savings accounts of urban and rural people were 4.64 billion yuan, an increase of 45.6 percent over the previous year.

10. The special economic zones are just getting started and we are collecting experience.

## PRC TO USE VIDEOTAPES IN PRODUCT MARKETING

HK070719 Hong Kong SOUTH CHINA MORNING POST in English 7 Oct 82 Canton Trade Fair Supplement p 20

[Text] China is to boost its marketing efforts by promoting products on a series of video tapes.

Tape cartridges depicting Chinese-made products and how they are manufactured will be made available through the 136 Chinese embassies beginning this month.

At the same time, distributors will be appointed in major buying countries to sell the tapes to companies trading or intending to trade with China.

Marketing through video tapes is widely used elsewhere, but this is believed to be the first time such a project has been launched in Asia.

The project is being run by the Hong Kong-based Hsin Fung Advertising Co and Robert Chua Production House Co Ltd, which has set up an associate, Video Publications Ltd, to handle the project.

Two kinds of tapes will be available. The first will be updated every three months and will cover the whole of China.

The second will be produced every six months and will concentrate on individual industrial and manufacturing centres.

Included in the October launch will be Peking, Shanghai, Guangdong and Nanjing, Mr Chua said.

Lasting about 90 minutes each, the tapes will begin with an introduction advising businessmen how to trade with China.

It will then go on to detail a number of Chinese products, showing how and where they are made, with shots of the factory and staff.

Each section will end with the name of the government department to contact for further inquiries.

Decisions about which products are to be promoted will be made in China, Mr Chua said.

The cassettes will be distributed free to Chinese embassies and to government bodies in other countries promoting trade with China.

"We plan to make each tape as comprehensive as possible," Mr Chua said.

"We are keeping in mind the businessman who might never have had any previous dealings with China.

"At the same time, we will be providing invaluable updated information to China trading veterans."

CSO: 4020/9



## STOCK MARKET OPENS TO OVERSEAS CHINESE, FOREIGNERS

OW261403 Taipei CNA in English 1332 GMT 26 Sep 82

[Text] Taipei, 25 Sep (CNA)--The Executive Yuan (Cabinet) has approved the plan submitted by the Ministry of Finance for opening the stock market to Overseas Chinese and foreign nationals in order to absorb foreign capital.

According to this plan, the local stock market will initially be opened to foreigners indirectly through two investment trust companies which will manage investment. The two companies will be jointly managed by local government run financial institutions, the International Commercial Bank of China, and foreign investment trust companies. After a period of time to allow the government to gain management experience, the market will be opened to foreigners directly.

In accordance with this plan, the Executive Yuan has instructed the Ministry of Finance to draft detailed regulations as soon as possible and select officials and institutions to organize the investment trust companies. Up to now, there have been credit Suisse First Boston, Gartmore Investment Co., Baring Brothers Ltd., and Henderson Baring Co., which have expressed their interest in participating in this plan.

According to informed sources, the plan will be put into practice within six months. Highlights of the plan include the following:

--initially two investment trust companies will be formed, each with a minimum capitalization of NT dollars 100 million (US dollars 2.5 million). Foreign investors will be allowed to hold up to 49 percent of that amount.

--actual investments will be limited to government bonds, listed stocks, and corporate bonds. Listed firms will not be allowed to sell more than 20 percent of their issued stocks to the funds.

--foreign investors holding beneficial certificates will be able to ask the trust companies to redeem the certificates after two years, and the companies can then resell the redeemed certificates.

--interest gained will be remittable by foreign investment holding certificates after being taxed. Principal can be remitted after certificates have been held for at least two years and are redeemed by the issuing company. Capital gains will also be fully remittable.

--the trust companies will be taxed on income derived from service charges according to the tax code, but since the interest and capital gains accrued will be of the managed funds rather than of the companies themselves, they will not be taxed. Interest payable to holders of certificates will be taxed. (The current rate is 20 percent.)

--securities dealers will be exempted from paying taxes on capital gains.

CSO: 4020/8

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